



ANNUAL GENERAL MEETING (AGM) TO BE HELD ON APRIL 24, 2025

Responses to Questions from Shareholders:

Q1. Is A.I. Grading for Color & Clarity fully adapted and integrated in the work process to grade Lab Grown Diamond?

Sarine's Response

Grading technology for LGD is still not fully adapted and integrated into the work process due to LGD diamonds having different characteristics than those of natural diamonds. In order to train our grading algorithms, large amounts of data are required, the collection of which is a time-consuming process due to the significant number of different types of diamonds (color and clarity grades). As was the process with natural diamonds, the integration of the technology into the grading process is a step-by-step process that is executed in stages for specific types of goods as each is tested to meet the necessary stringent quality requirements. In some instances, during the data collection process, the need for software reworks is encountered, which delays the technology's rollout until the work is done and the previously collated data sets are retested.

Q2. Beside GCAL New York and Surat, are A.I. Grading services also available in Sarine Mumbai and Ramat Gan?

Sarine's Response

Most of the world's diamonds are manufactured in India (both natural and LGD) with very small quantities being manufactured in Israel. The lab in Surat serves this significant market with the potential to scale up significantly, as necessary. The US is the largest consumer market of diamonds (both natural and LGD) with large amounts of goods imported to the US typically via New York, hence the importance of the lab there. Grading services are not currently provided in Mumbai or Ramat Gan. If at any stage, there will be a viable commercial need to establish additional locations, such centers will be established.

Q3. Why is the put / call option necessary for GCAL by Sarine?

Sarine's Response

Call and put options were included as part of the acquisition agreement to provide an option to purchase/sell the remaining 30% of the shares held by the seller. Terms of the options were not disclosed.

Traceability

Q4. How many AutoScan Plus machines are installed at mines to date?

Sarine's Response

We have not provided numbers of sold or installed AutoScan Plus systems, but it is important to note that the number of mines in the diamond industry is limited (several tens of companies). The importance of these systems is not in their own right but as gateways into the Tracr/Journey ecosystem.



Q5. In a Rapaport interview on 19-March-2025 (A Diamond's Journey: Scanning, Sourcing & Traceability), between Martin Rapaport and Wesley Tucker, it was mentioned that TRACR has started charging fees on manufacturers from 2025. Is Sarine expecting to recognize revenue from this collaboration as well?

Sarine's Response

The commercial details of the collaboration with Tracr are confidential, but in general we can confirm that Sarine monetizes any use of our traceability data through this agreement.

R&D

Q6. Was the \$922K R&D capitalisation on LGD grading development expense related to 'Unrecognised Deferred Tax Assets' of \$111.4M in FY-2024?

Sarine's Response

The R&D capitalisation is related to technological and accounting tests met during 2024 and not to the deferred tax recognition.

Q7. Are we expecting R&D capitalisation in FY-2025 as Diamond Grading revenue gains traction?

Sarine's Response

As mentioned above, the integration of the technology into the grading process is an ongoing process. We expect continued R&D capitalisation during 2025, as long as we meet various technological and accounting tests.

Macro-Environment

Q8. U.S. protectionist tariffs have unsettled global economies. Despite the negativity, what opportunities does Sarine Technologies envisage in such operating environment?

Sarine's Response

The main challenge with the current environment is that it creates significant uncertainty in the market (and for our clients). Depending on how the subject of tariffs evolves it could, possibly, create an accelerated need for traceability by enabling authorities to prevent circumvention of tariffs.

Strategy

Q9. Among the many initiatives implemented in 2024, what is the ONE BIG IDEA that will substantially lift Sarine Technologies revenue in 2025 and beyond?

Sarine's Response

Our objectives and strategy going forward have been detailed in our annual report. In addition to our initiatives in the diamond industry, which has experienced a major disruption from LGDs over the past few years, we are also looking at additional initiatives and opportunities outside of the diamond industry in areas where we believe there is synergy.

Auditors

Q10: Please provide the following data re the Company's external auditors:

Question	Response of: Somekh Chaikin Certified Public Accountants (Isr.), Member Firm of KPMG International:	Response of: Chaikin, Cohen, Rubin and Co., Certified Public Accountants:
Accounting firm's experience in providing services to similar entities	The firm has ample experience in providing audit services to similar entities	The firm has ample experience in providing audit and tax services to similar entities
Duration of the firm's engagement with the company	Since 2004	Since 2000
Existence of an independent professional department within the firm	Yes	Yes
Does the auditing accountant comply with accounting regulations that require an auditing accountant to take reasonable measures to prevent conflicts of interest or impairment of independence from the audited entity.	Yes	Yes
Partnership with an international accounting firm	Yes	No
Audit fee amount	NIS 455,000	NIS 455,000
Tax services fee amount	NIS 50,000	NIS 104,000
Other services fee amount	NIS 57,000	NIS 57,000
Whether in the last three years the company was required to restate its financial statements, due to errors or material deviations in estimates or assumptions	No	No
Whether in the last three years a court has approved a class action or derivative lawsuit against the company's auditing accountant in connection with the company's reports	No	No

Responses to Questions from the Securities Investors Association (Singapore) (SIAS):

Q1. In the message to shareholders, the Chairman observed that the retail diamond trade is at a significant inflection point. In particular, lower-priced lab grown diamonds (LGD) continue to experience share price declines, potentially rendering parts of the LGD value chain commercially unviable.

Although the group's LGD-related product and service adoption—such as rough planning solutions—has been slower than expected due to LGD rough prices falling below US\$100 per carat, it is noted that LGD-related recurring revenue accounted for over 15% of the group's total revenue in FY2024.

The group opened a "GCAL by Sarine" lab in India to offer LGD grading at more competitive pricing, following the acquisition of GCAL in 2023.

(i) Does the continued decline in LGD prices fundamentally challenge the long-term viability and profitability of the group's LGD segment, including GCAL's offerings?

Sarine's Response

The Group realises the ongoing challenges in the LGD sector, particularly those stemming from the decline in LGD prices. Nonetheless, Sarine views the LGD segment as a strategically important and still evolving segment of the diamond industry.

Our approach to the LGD sector is aligned with our broader strategy of supporting diamond industry stakeholders per se, whether dealing in natural or lab grown diamonds, through advanced technological solutions that enable efficiency, create consistency, and bolster consumer confidence.

The establishment of the "GCAL by Sarine" grading laboratory in India reflects our commitment to adapting to market conditions by offering high-quality, cost-effective LGD grading services in a key manufacturing hub.

As long as the demand for LGD grading continues, we believe that technology-based solutions remain the most effective means for manufacturers to obtain high quality, consistent grading at affordable rates. The pricing of grading reports does not necessarily correlate directly to the prices of LGD, but pricing pressure on the LGD product is one of the factors that may indeed impact report prices and profitability.

(ii) What is the hurdle rate or internal rate of return threshold the board uses when evaluating new or follow-on investments in the LGD ecosystem? How has this evolved given recent market dislocation?

Sarine's Response

The matter raised relates to internal considerations and sensitive information. As such, the Group does not share this type of information with the public.

Q2. In the section on Management's Business, Operation & Financial Review, the FY2025 objectives and management's strategies are set out on page 19, while the company-driven growth opportunities are outlined on page 21. These include:

- a. **Enhanced Most Valuable Plan™ (MVP) coverage for broader stone ranges**
- b. **Scaling of 'GCAL by Sarine' lab operations**
- c. **Traceability solutions**

(i) Can management elaborate on the reasons—technological, operational or financial—why stones over 2 carats were previously excluded from MVP? With the extension of MVP to larger stones, what is the incremental addressable market and revenue potential?



Sarine's Response

The initial implementation of our MVP solution focused on rough natural diamonds up to 40 points and subsequently on those up to 90 points stemmed from the relative simplicity with which smaller stones are planned. Larger stones inherently present greater complexity, due both to their higher value per carat and to the exponential increase in possible planning solutions, stemming both from their larger geometry and volume as well as to completely market-related trends and constraints. Thus, the solution requires far more advanced algorithms and greater computing resources to attain the optimal planning outcome. Initially, it was simply not cost-effective to plan larger sizes due to cloud computing costs. Along with the ongoing decline of cloud computing costs, the refining of the software, allowing the utilisation of such resources more efficiently, along with the overall refinement of our algorithms themselves, should make planning larger sizes feasible.

The extension of MVP to stones above 2 carats is expected to deliver significant value, as these stones create the most value in the value chain and, indeed, Sarine has historically generated the greatest value for its customers, and seen corresponding revenue benefits, when applying its technologies to larger, higher-valued rough stones.

In 2024, the traceability business underperformed expectations due to delays in regulatory enforcement. However, the group recently entered into a collaboration with Tracr Limited, a De Beers subsidiary, to integrate Tracr's blockchain-based origin data into Sarine's Diamond Journey traceability system.

(ii) Does management expect the traceability/provenance segment to become a significant revenue and profit driver in the medium term? What are the benefits of the collaboration with Tracr?

(iii) Beyond regulatory compliance, does Sarine view traceability as a strategic value driver for branding, ESG positioning, or supply chain integrity?

Sarine's Response

While traceability solutions indeed were relegated to "back-burners" due to the postponement of regulatory enforcement, Sarine continues to view provenance as an area with long-term potential. The recent collaboration with Tracr marks a significant step forward, by integrating Tracr's blockchain-based origin data into Sarine's Diamond Journey™ traceability platform. Together, we enable a seamless, end-to-end ecosystem for diamonds of De Beers origin (which account for approximately a third of the world's diamonds), from mine to retail. This enhances the reliability and transparency of the provenance data, supporting stakeholder confidence across the value chain. In addition, cooperation creates significant efficiencies in the mid-stream allowing for easier adoption of traceability.

Regulatory developments could serve as a significant catalyst in accelerating traceability's adoption. However, industry adoption is expected to continue building albeit at a slow pace, even in the absence of regulatory enforcement. Beyond compliance issues, traceability plays an increasingly important role in branding, ESG positioning and supply chain integrity. While widespread adoption will depend on consumer awareness and demand, luxury brands are already in the process of adoption, even if only for internal quality control purposes.

Q3. As shown in the consolidated statement of profit or loss, the group reported an operating loss of US\$(31,000) in 2024, following a significantly larger loss of US\$(1.84) million in 2023.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31

	Note	Group	
		2024	2023
		US\$ thousands	
Revenue	6,7	39,201	42,944
Cost of sales		(16,205)	(15,573)
Gross profit		22,996	27,371
Research and development expenses		(6,721)	(8,597)
Sales and marketing expenses		(11,011)	(12,843)
General and administrative expenses		(5,295)	(7,775)
(Loss) Profit from operations		(31)	(1,844)
Finance income		1,976	960
Finance expense		(496)	(384)
Net finance income	8	1,480	576
Profit (Loss) before income tax		1,449	(1,268)
Income tax expense	9	(375)	(1,534)
Profit (Loss) for the year		1,074	(2,802)

(Source: company annual report; emphasis added)

While management has indicated that aggressive cost-cutting and business streamlining measures were undertaken, sales and marketing expenses remained disproportionately high relative to revenue. Over the past five years, these expenses have averaged over 24% of revenue, and rose to 28.1% in FY2024 as the top-line declined:

(US\$ thousands)	FY2024	FY2023	FY2022	FY2021	FY2020
Revenue	39,201	42,944	58,763	62,116	40,968
Sales and marketing expenses	11,011	12,843	12,425	11,038	9,773
(as a percentage of revenue)	28.1%	29.9%	21.1%	17.8%	23.9%

(Compiled from company annual reports)

(i) Can management provide a detailed breakdown of sales and marketing expenditure?

Sarine's Response

The matter raised relates to internal considerations and sensitive information. As such, the Group does not share such detailed breakdown information with the public. 2024 sales and marketing expenditure decreased by 14% compared to 2023, despite the full-year inclusion of GCAL's sales and marketing costs, which were included in 2023 for only part of the year (7 months). Naturally, with lower overall revenue, sales and marketing expenses as a percentage of revenue increased, even as they decreased absolutely.

Despite the cost containment efforts, sales and marketing expenses remain elevated and relatively unresponsive to top-line pressure.

(ii) What are the structural or strategic reasons for maintaining such expense levels, and what is management doing to align these costs more closely with revenue trajectory?

Sarine's Response

Sales and marketing expenses reflect Sarine's continued investment in supporting its long-term strategic growth. These costs include the Group's sales and marketing infrastructure, such as offices, personnel, etc., as well as sales, marketing, product and customer support activities globally. The Group continually reviews and aligns these costs with its business projections, ensuring that short-term budgetary considerations do not compromise its ability to achieve the longer-term goals.