Sarine Technologies Ltd.

Corporate Presentation

August 2018

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Diamond Industry Value Chain

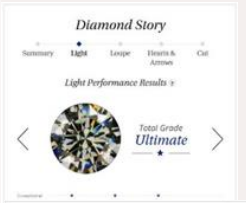
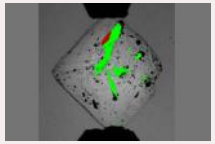
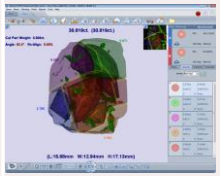
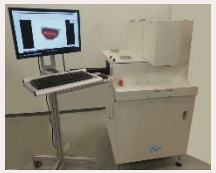
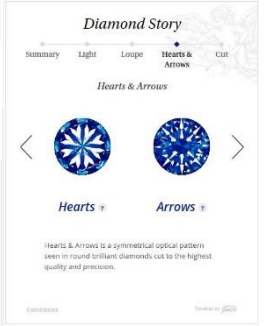
Our products increase profits at all stages of the diamond trade from purchase of rough stones to sale of polished diamonds

Value of Market in US$ in 2017

Rough Diamond Mining Output	Rough Diamond Sales	Polished Diamond Output	Retail Sales of Diamond Jewellery
$13.5 billion	$14.7 billion	$20.2 billion	$77.0 billion

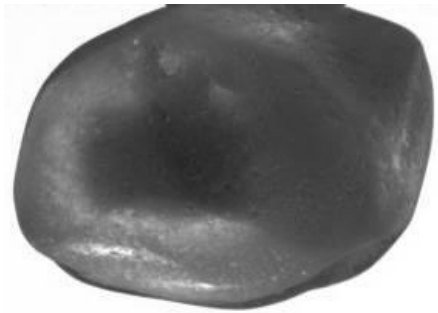
Sarine Technologies

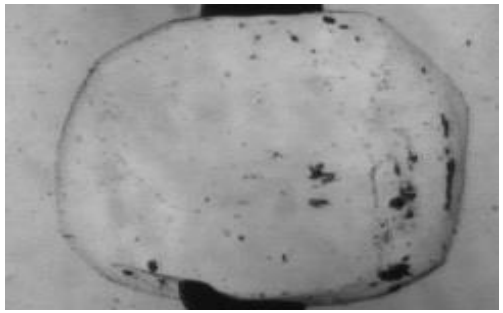
Sarine Technologies, through its application of patented and proprietary solutions, involving precision mechanics, electronics, optics and laser platforms and sophisticated software is a global leader in the development of systems used throughout the entire diamond value chain, from rough diamonds evaluation, planning and polishing to polished diamonds assessment, grading and trade

Inclusion Mapping	Planning	Sawing & Shaping	Polishing & Cut Finishing	Laser Inscription	Visualisation & Grading	Trade
Galaxy / Solaris / Meteor	DiaExpert Eye / DiaExpert Atom	Strategist & Quazer III Green Laser System	DiaScan S+	DiaScribe	Sarine Light	 Diamond Story Light Performance Results Total Grade Ultimate
DiaMark-Z	Axiom	Sarine Loupe				
 Inclusion Mapping	 Advisor	 Allegro	Instructor 3.0	Inscription Viewer	Sarine Color Sarine Clarity	 Diamond Story Hearts & Arrows Hearts Arrows Profile, 4Cs and Diamond Journey

Traditional Diamond Planning

- Based on worker skill and experience. Long training process. Inconsistent results from different planners
- Needs windows to be opened in rough stone
- Typically limited to simple solutions: single sawing plane with two polished stones
- Significant transfer error between planning and execution



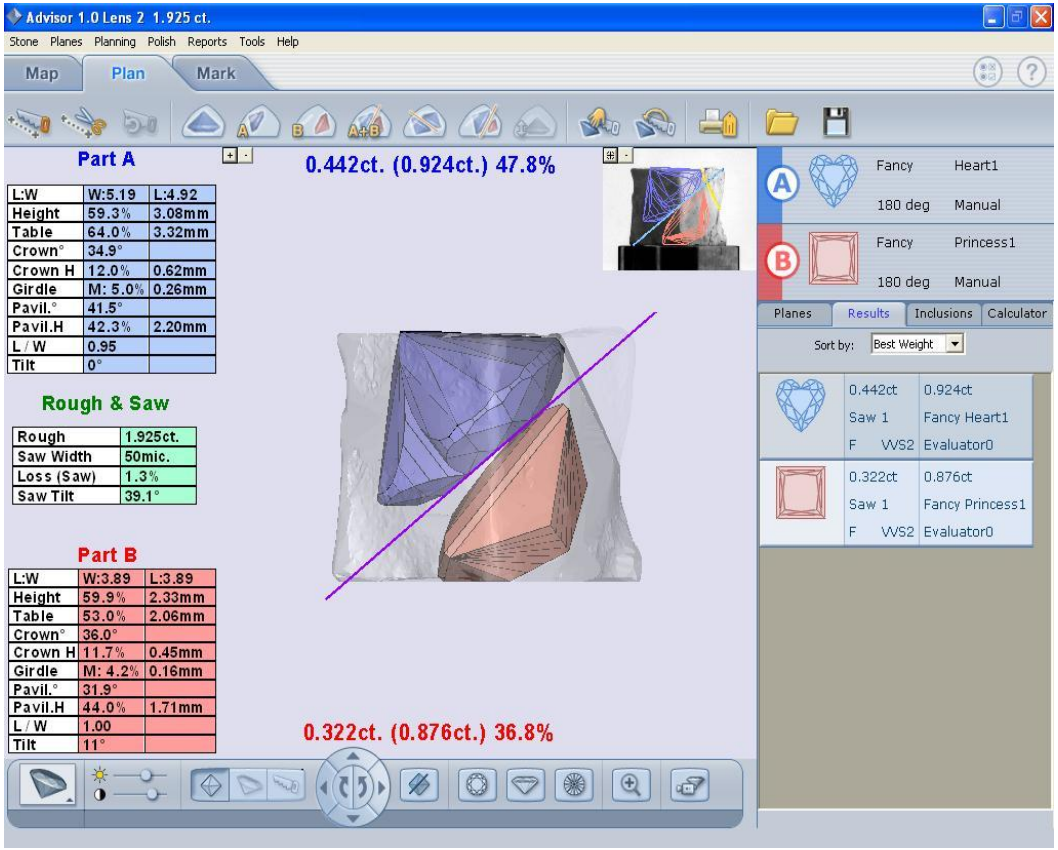


Traditional Diamond Planning

Planning Revolution – Phase I

- In 1995 Sarine introduces first computerised planning for diamonds
- Software algorithms to model and plan the optimised polished diamond
- Based on patented technologies for scanning and marking of diamonds
- Still simple solutions with no input on diamond's internal characteristics

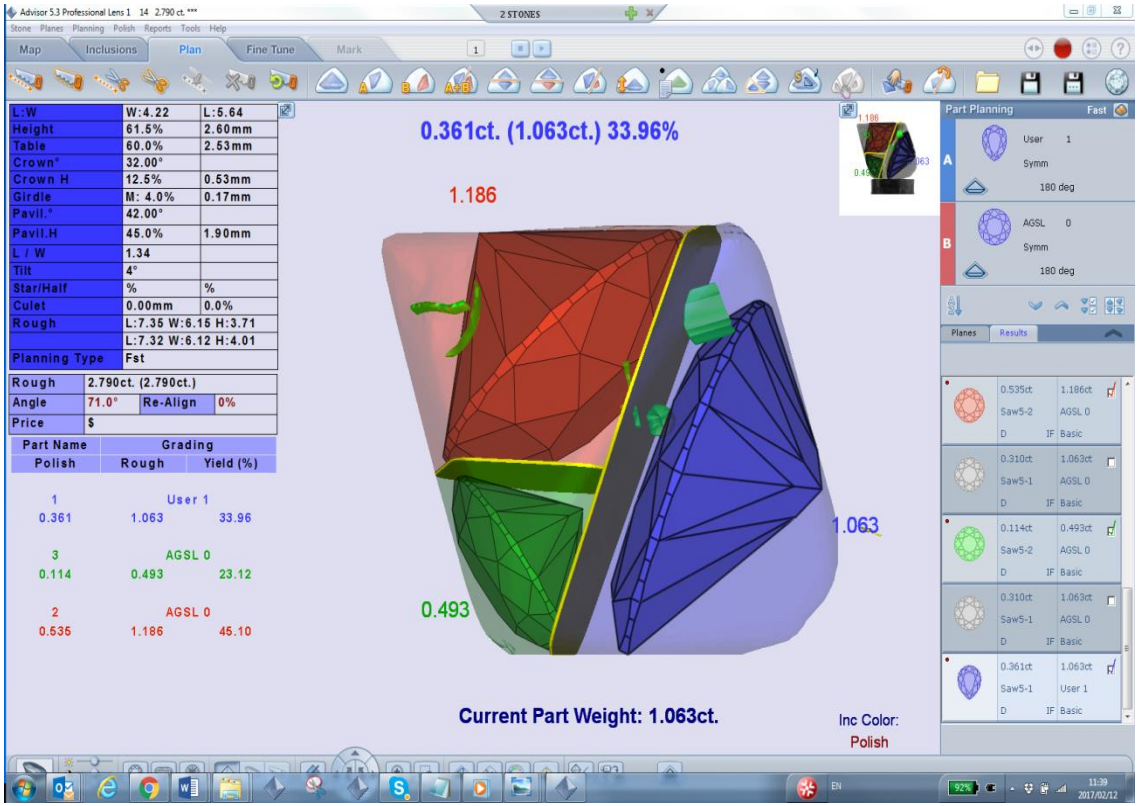
1995



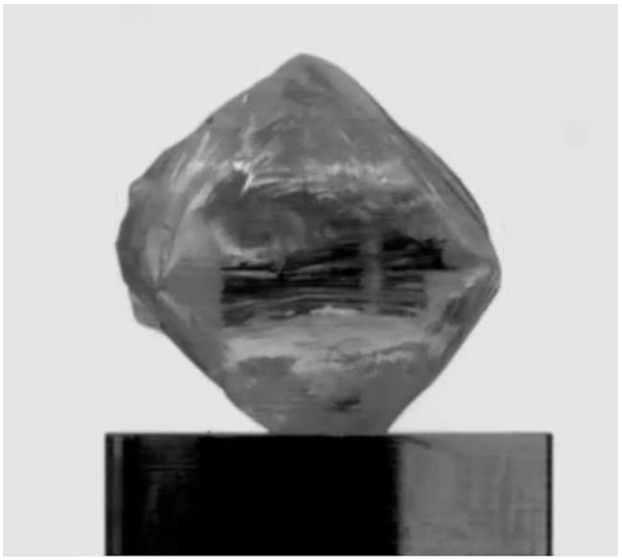
Planning Revolution – Phase II

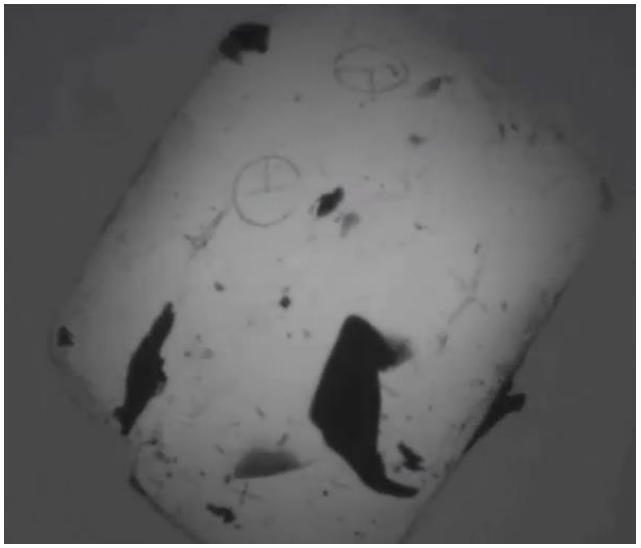
- Advances in computerised planning enables significantly better utilisation of the rough diamond material
- Multiple polished diamonds from a single rough diamond
- Initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)

2005

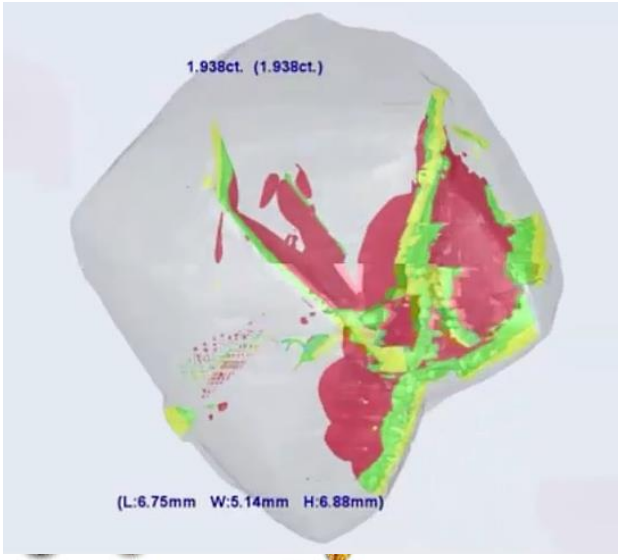


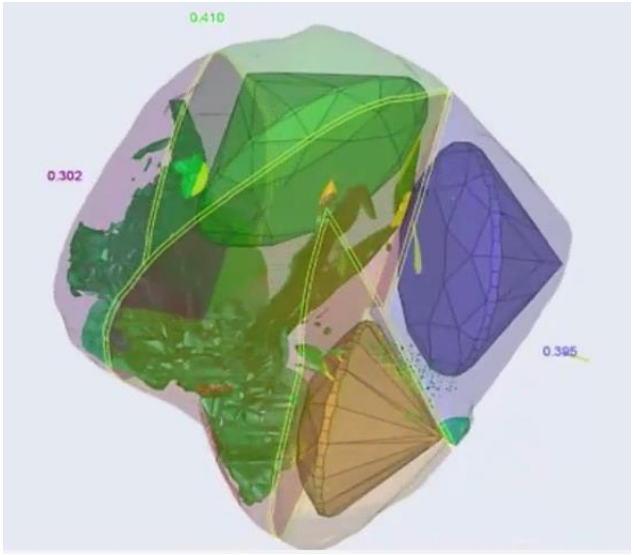
Phase III - Optimal Planning Using Galaxy®





2010





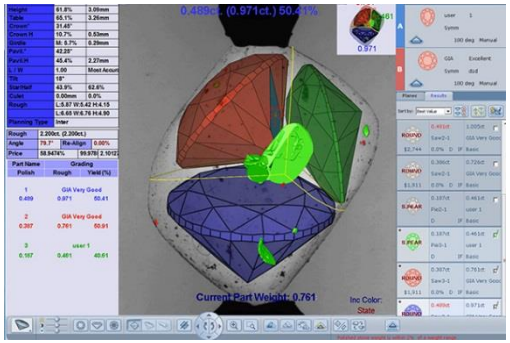
Optimal Planning - Advisor® Meets Galaxy®

- Advisor® rough planning software is the most widely used rough planning software - over 20,000 Advisor® installations. Combined with Galaxy® inclusion scanning it enables considering inclusions for full and true value based planning.

- Optimises value on virtually all rough stones from super fast analysis of single-point sizes to high accuracy multi-stone planning of large complicated diamonds up to 200 carats, based on 4Cs with market driven real-time trend data

- Integration with inclusion mapping creates penetration barrier; also integrated with our best-in-class Quazer®'s laser cutting system allowing even higher value – optimal use of rough stone weight pushed from under 40% to over 50%

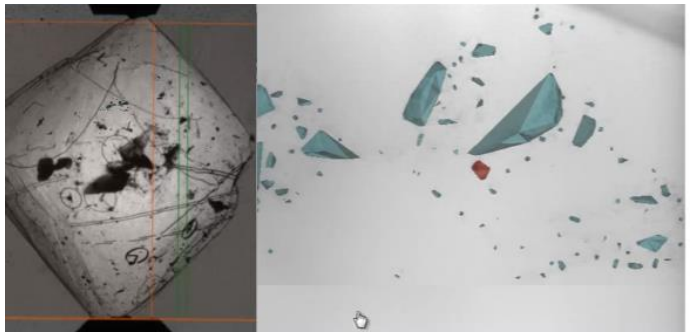
Multiple Diamonds Planning



Atom System (>1000 stones per day)

Galaxy® Family

- Rollout in 2010 with Galaxy ®1000
- Price Per Carat model - recurring revenue
- Additional Galaxy® systems launched:
  - Galaxy® XL - for extra large diamonds
  - Solaris™ - specialised for smaller diamonds below 2.5 carats
  - Ultra™ – higher clarities (VVS)
  - Meteor™ – smaller diamonds (0.2-0.9 ct.s)
  - Meteorite™ – most cost-effective system for smallest <35 point sizes
- Total installed base of 377 systems as of 30 June 2018
- No legitimate competition for Group's patented automated inclusion mapping systems in the market today



Trade & Retail Downstream Revolution

- What are the challenges?
  - Trading challenges B2B – current grading criteria, particularly Clarity but also Color, not definitive; visual inspection necessary
  - Diamond branding – special cuts, modified cuts and other methods of creating a unique retail story not graded for quality of workmanship
  - Need digital information for today's informed consumer
  - Consumer transparency – 4C's primarily define rarity; consumers want additional information presented in intuitive and engaging formats

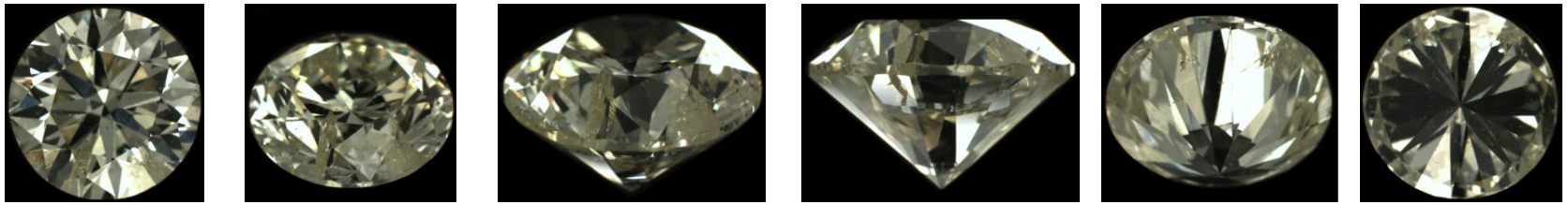
Trading Challenges – Clarity Ambiguity

All GIA Graded I1 Diamonds

Phase I - Sarine Loupe™ and Light™

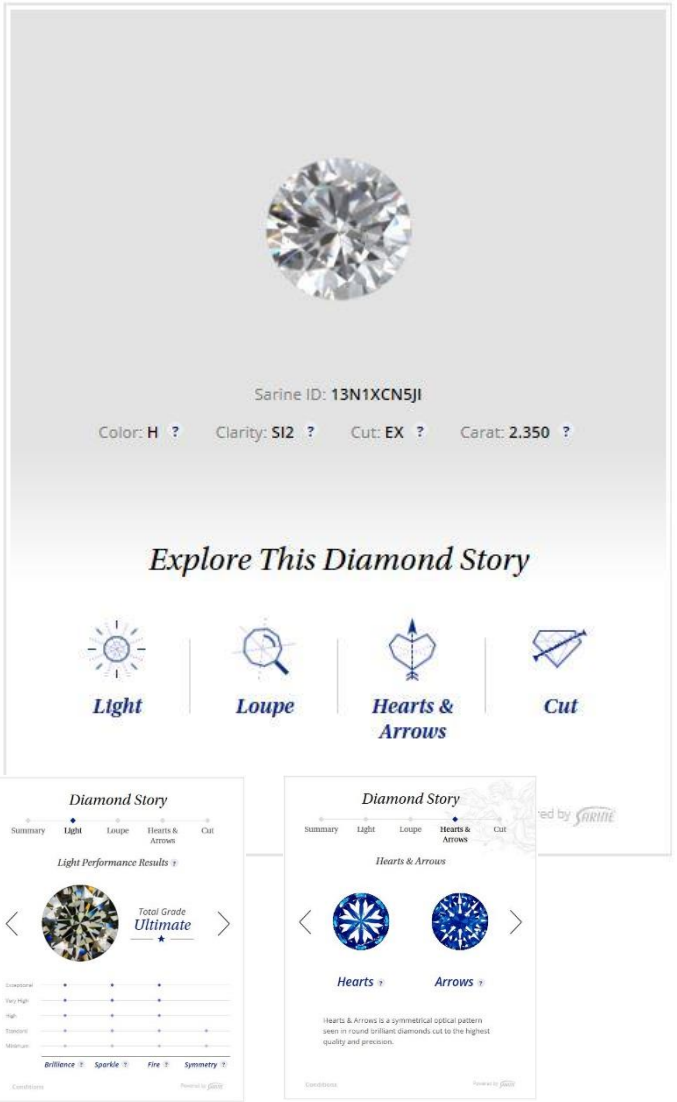
- Sarine Loupe™ is a unique imaging and inspection system that captures a polished diamond, with its internal features, in simulated 3D at various levels of magnification
- Enables buyers to view the polished stone from a multitude of angles and at varying magnifications without having it in hand; simplifies the buying process of polished diamonds wholesale; enhances the online and in-store buying experience
- With increasing demand for quality branded diamonds, Sarine Light™ light performance parameters - brilliance, fire, scintillation/sparkle and symmetry, are key consumer-oriented criteria, as they specifically address appearance and beauty
- Integration of Sarine Light™, Sarine Loupe™ has created the consumer-oriented "diamond story" – the Sarine Profile™

Sarine Loupe™ Imagery Polished Diamond



Phase II - Sarine Profile™

- Digital technologies are gaining traction as an essential marketing tool for polished diamonds
- Sarine Profile™ utilises all the benefits of Sarine's diverse cutting-edge imaging technologies to "show and tell" the stone with graphic and video displays instead of a dry tabular non-intuitive report
- Product launched 2015; paradigm is now in use with retailers in the APAC and U.S. markets at an aggregate of over 1,000 retail locations ("doors")
- Adopted by leading diamond retailers - Japan's Cima (Exelco / Shiraishi), K-Uno, Sadamatsu (Festaria), Imayo and Verite (Maharaja), China's Hope, JAFF, Kela and Shining House, Singapore's Soo Kee and Aspial, Thailand's Aurora, Korea's Golden Dew and Borsheim's in the US along with other national and regional chains, including large wholesale distributors – GN Diamonds and Gems One



Enhanced Profile™ with Diamond Journey™

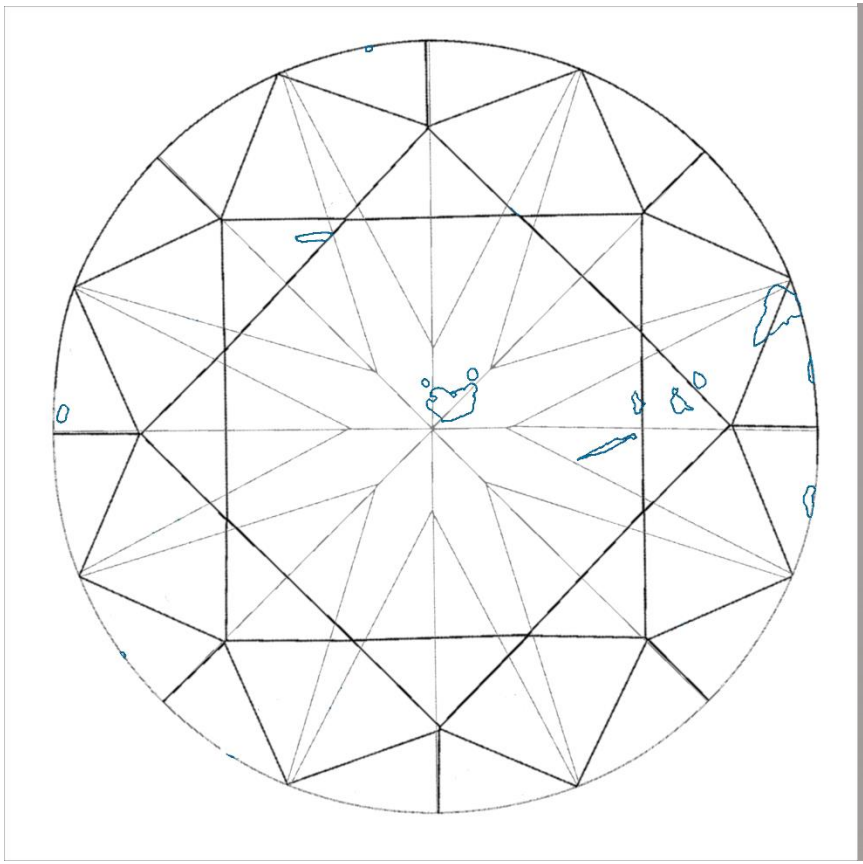
- Leverages on our extensive presence in the midstream, having planned some 40 million stones using Advisor® 7.0 in 2017 alone
- Provides captivating visualisation of the entire processing of the rough stone - as mined, as modelled, as scanned, as planned and as cut and polished at various stages, culminating in its final polished form; insight into painstaking craftsmanship that went into creating unique gem
- Reinforces confidence in the responsible sourcing and manufacture of the diamond
- May, in the future, be leveraged to create a secure blockchain of events for authentication record purposes
- Adopted by Dominion, Canada's only diamond producer, for CanadaMark™ diamonds, and by Gems One, large U.S. wholesaler
- Generating keen interest amongst additional producers and retailers

Sarine Diamond Journey™

Phase III - Grading Revolution: Clarity and Color by Artificial Intelligence Technology

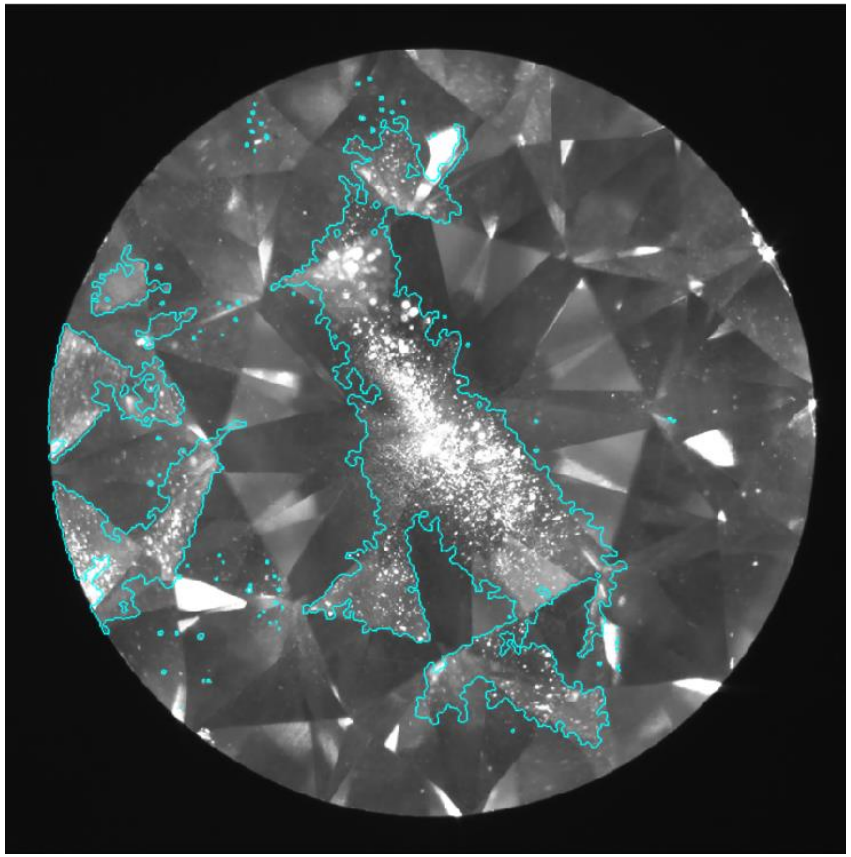
- Groundbreaking Artificial Intelligence (AI)-based Clarity technology provides automated, objective and consistent Clarity measurement and grading – a first for the diamond industry
- This breakthrough technology, already more consistent than manual process, will simplify, expedite and refine the Clarity grading process and enhance polished diamond sorting and sourcing
- New advanced (AI)-based Color evaluation technology also provides automated, objective and precise Color grading.
- The combination of these two new technologies enables polished diamonds grading at a revolutionary new level of consistency and reverses eroding consumer confidence.
- Business model for Clarity and Color grading capabilities will be industry-standard per-carat charge, aggressively packaged with Sarine Profile™ , light performance grading and Sarine Diamond Journey™, should significantly expand the Group's recurring income and improve margins; addresses US$500M annual market of diamond grading reports
- Sarine Technology Lab opened February 2018; second lab in India opened in May 2018

New Clarity Technology



Example – SI1 stone with even lesser inclusions clearly plotted

New Clarity Technology



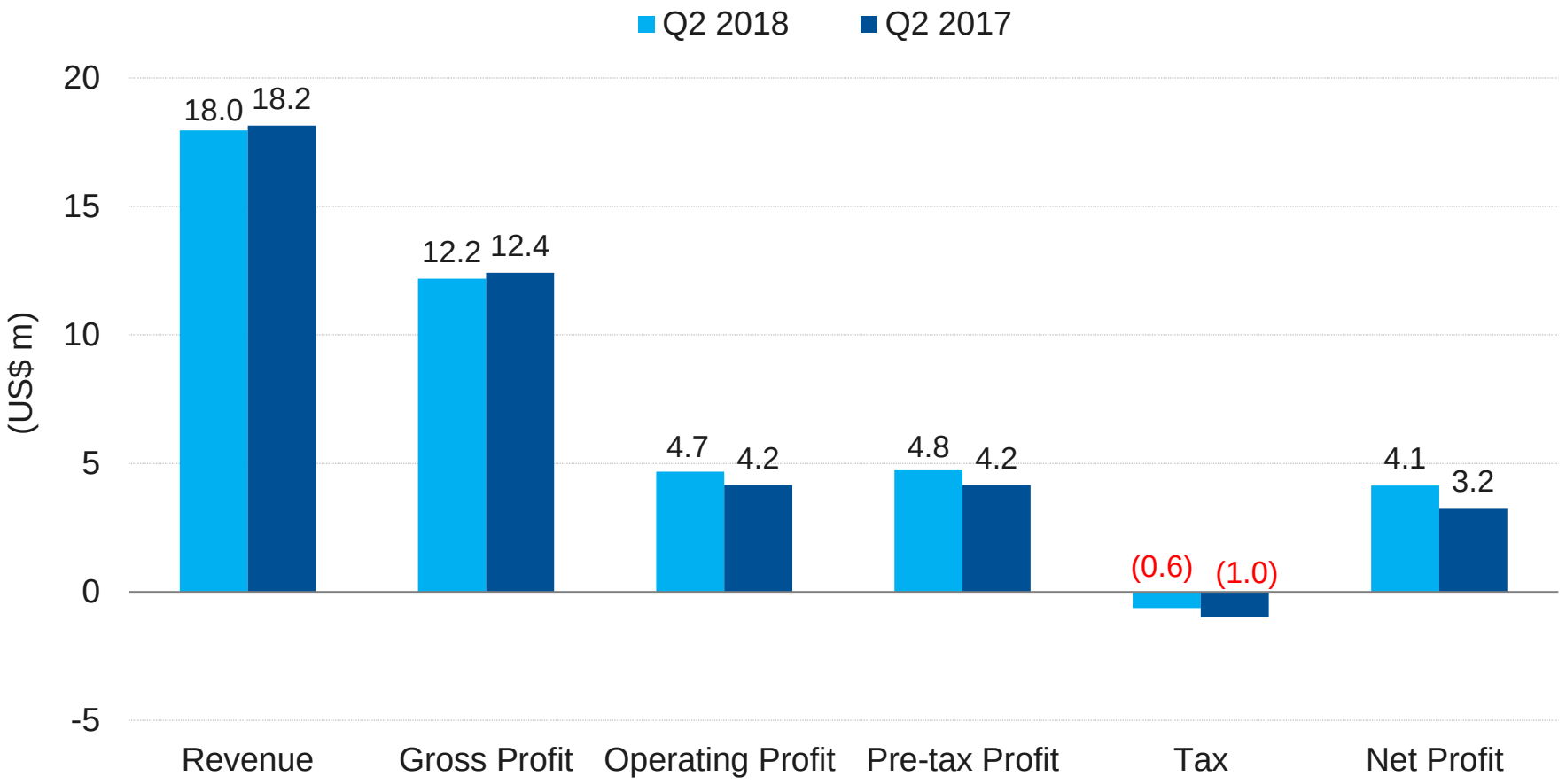
Example - stone with invisible cloud of micron-sized inclusions

Sarine Connect™

- Specially designed for diamond traders and retailers, Sarine Connect™ is a customisable digital solution for the presentation of loose polished diamonds and jewelry during the sale process
- Cloud-based, Sarine Connect™ stores and manages comprehensive tabular, graphic, image and video information related to the offered inventory, keyed by an advanced search and display tool for instantaneous presentation of items during the sales discourse
- By offering comprehensive inventory management, at the wholesale or retail chain level, Sarine Connect™ effectively creates a virtual inventory accessible in parallel at all points of sale, thus reducing inventory levels and costs substantially
- The displayed data, integrated with the Sarine Profile™, provides for an engrossing interactive medium on any digital device (tablet, cellphone, etc.) to enhance the customer's experience and engage him/her attentively

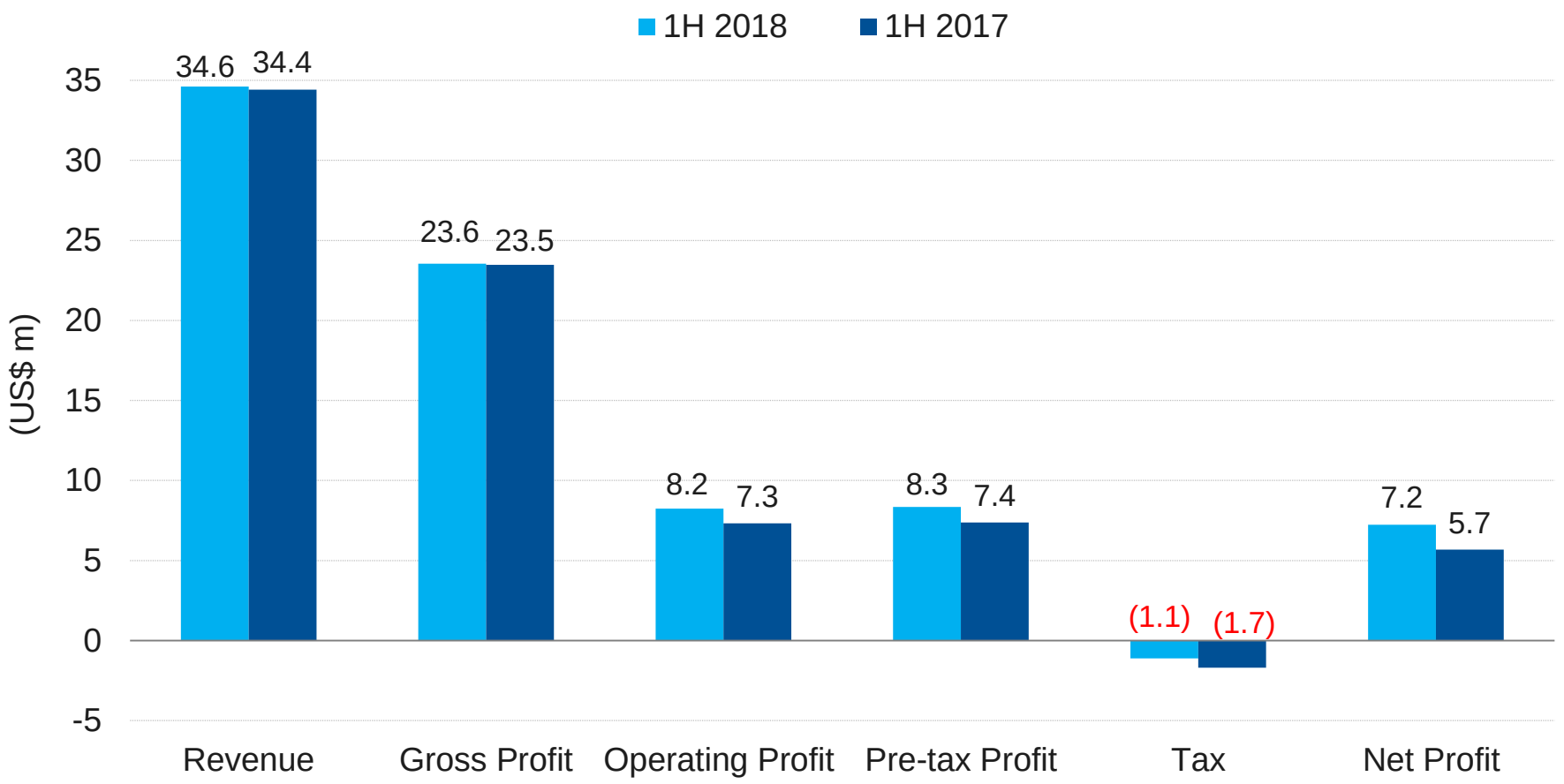
Financial Results Update

Q2 2018 Results Summary



% change	(1%)	(2%)	12%	13%	(37%)	28%

1H 2018 Results Summary



% change	1%	0%	12%	13%	(35%)	27%

Q2 and 1H 2018 Results Highlights

- Group revenue remained stable at $US18.0m and US$34.6m in Q2 2018 and 1H 2018 respectively
- Overall recurring revenues represented over 42% of Group revenue in 1H 2018, with polished diamond retail revenues growing just under 25% y-o-y (33% y-o-y in Q2 2018)
- Deliveries of 20 Galaxy® family systems to customers in Q2, comprising 8 new Meteorite™, 6 Meteor™, 1 Solaris®, 4 Galaxy® and 1 Galaxy® Ultra, 16 of which in India; total installed base grew to 377 as at 30 June 2018
- Net profit rose 28% and 27% to US$4.1m and US$7.2m in Q2 and 1H 2018 respectively
- Balance sheet remains strong as at 30 June 2018 with short-term investments, cash and cash equivalents totaling US$32.1m and no debt

Immediate Prospects

- Positive global macroeconomics should continue to underpin healthy consumer demand though disagreements over trade issues between the US and its major trading partners could potentially have negative impacts later
- Advisor® 7.0's breakthrough features, especially DiaExpert® Edge, light performance optimisation and branded / modified-cut stones interactive planning enhancements, widen gap with illicit competition and incentivise brand loyalty on top of aggressive industry-wide legal steps against piracy
- Backed by accelerating interest in APAC and North America and by enhanced features - AI-based 4Cs grading and Sarine Diamond Journey™, the Group expects revenue growth from additional and expanding sales programs utilising Sarine Profile™
- Sarine's breakthrough Clarity and Color AI-based automated 4Cs grading addresses US$500M annual market of diamond grading reports and significantly strengthens the Group's comprehensive offerings for polished diamonds; Lab operation commenced in Q1 2018 and second lab opened in Mumbai in May 2018

Strong Balance Sheet (debt free)

(US$ millions)	30 Jun 2018	31 Dec 2017
Non-Current Assets	**22.4**	**23.9**
- Property, plant & equipment	15.1	15.6
- Intangible assets	5.8	6.6
Current Assets	**61.5**	**56.4**
- Inventories	6.8	7.2
- Trade receivables	20.2	17.3
- Cash & bank deposits	32.1	29.1
Non-current Liabilities	**0.2**	**0.2**
Current Liabilities	**11.4**	**9.4**
- Trade payables	3.5	1.8
- Other payables	7.3	6.7
Shareholders' Equity	**72.3**	**70.7**

Dividend

US cent/share	2018	2017	2016	2015	2014
Interim	**2.00** **(just declared)**	**2.00**	2.00	1.50	2.00
Special interim		**-**	-	-	1.00
Final		**1.50**	2.50	1.50	2.00
Total	**2.00**	**3.50**	**4.50**	**3.00**	**5.00**

Going Forward

- The Group remains confident of expanding its market penetration of the Galaxy® family of inclusion mapping systems, in spite of illicit Indian competition, and of continuing its market domination for diamond planning and other manufacturing products
- Unique diamond planning DiaExpert® Edge breakthrough upgrade and Advisor® 7.0 unique features, enabling light performance optimisation and branded / modified stones enhancements provide leverage to thwart illicit competition
- Services integrated and marketed as the Sarine Profile™, complemented by Sarine's new AI-based Clarity and Color grading technologies and Sarine's Diamond Journey™ address the wholesale and retail trade of polished diamonds – the most significant segment of the diamond industry value chain
- Expanding revenue base into polished diamond grading reports, an industry segment with US$500 million annual recurring volume and higher margins

Competitors

Inclusion Mapping (55% of total sales; 40% of which Recurring)	Diamond Planning & Grading Products (35% of total sales)
OctoNus (Russia) Offers services, but no significant sales of Immersion Glass inclusion mapping system; teamed with Lexus in India for sales **Sahajanand Laser Technology (Ahmedabad, India)** Launched Nebula inclusion mapping system but no commercial success	**OctoNus (Russia)** High-end rough planning and polished evaluation equipment; specialises in optimisation of colour saturation in fancy coloured diamonds **Sahajanand Laser Technology (Ahmedabad, India)** Low-end rough planning equipment with minimal market presence (a key reason Nebula inclusion mapping system realised no commercial success) **Sahajanand Technologies (Surat, India)** Former Sarine distributor in India- markets rough planners for low and medium range applications **OGI Systems (Israel)** Price player with diminished international presence

- **Combined market share of competitors for diamond planning & grading products is still smaller than Sarine's (~70+%)**
- **Other Sales – Maintenance and Spare Parts 5% (Recurring), Quazers 3% and Profile 2%**