



Sarine Technologies Ltd.

Corporate Presentation

February 2022



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Diamond Industry Value Chain



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

Value of Market Segments in USD (2020)



Our Technologies Span Entire Value Chain

Sarine Technologies, through its application of patented solutions (proprietary mechanics, electronics, optics, lasers and sophisticated software) is a global leader in the development of systems used throughout the entire diamond value chain, from mine to retail, from rough diamonds evaluation, planning and polishing to polished diamonds grading and trade.

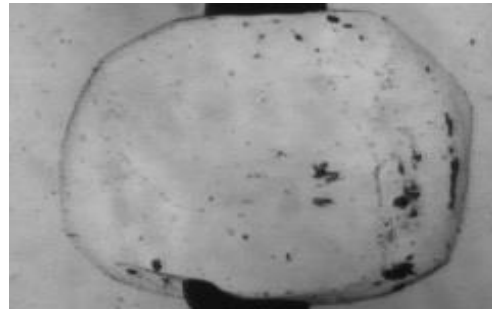
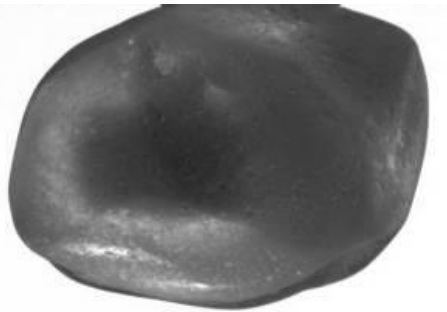


Our Revolution of Diamond Polishing



- ◆ Traditionally based on worker skill and experience: long training process and inconsistent results from different workers
- ◆ Low utilization of valuable material: ~35%
- ◆ Typically limited to simple solutions: single sawing plane with two polished diamonds
- ◆ Significant human error in execution of planned solutions

Traditional Diamond Planning



Revolution – Phase I



1999 - 2009

- ◆ Computerized planning eliminates most guesswork and risk and enables better utilization of rough diamond material
- ◆ Multiple polished diamonds from a single rough diamond (manually almost never more than two)
- ◆ From 2006 initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)

The screenshot displays the SARINE software interface for diamond planning. The central 3D model shows a rough diamond with facets colored in red, green, and blue. Text overlays on the model indicate weights: 0.361ct. (1.063ct.) 33.96% at the top, 1.186 on the red facet, 0.493 on the green facet, and 1.063 on the blue facet. The bottom of the model shows 'Current Part Weight: 1.063ct.' and 'Inc Color: Polish'. On the left, a data table provides detailed specifications for the diamond.

Part Name	Polish	Rough	Yield (%)
1	User 1	1.063	33.96
3	AGSL 0	0.493	23.12
2	AGSL 0	0.535	45.10

Additional data from the interface:

L / W	W: 4.22	L: 5.64
Height	61.5%	2.60mm
Table	60.0%	2.63mm
Crown*	32.00°	
Crown H	12.5%	0.53mm
Girdle	M: 4.0%	0.17mm
Pavil.*	42.00°	
Pavil. H	45.0%	1.90mm
L / W	1.34	
Tilt	4°	
Star/Half	%	%
Culet	0.00mm	0.0%
Rough	L:7.35 W:6.15 H:3.71	
	L:7.32 W:6.12 H:4.01	

Planning Type: Fst

Rough: 2.790ct. (2.790ct.)

Angle: 71.0° Re-Align: 0%

Price: \$

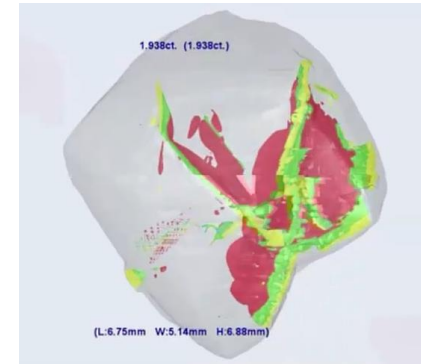


Phase II - Advisor[®] Meets Galaxy[®]



- ◆ Optimal planning is enabled by integrating with Galaxy[®] inclusion scanning as it enables planning including Clarity criteria for true best value.
- ◆ Advisor[®] is the most widely used rough planning software - **over 25,000 installations processed some 100 million rough diamonds in 2021.**
- ◆ Super fast analyses of single-point sizes to high accuracy multi-stone planning of large complicated diamonds up to 200 carats, based on real-time market trend data.
- ◆ **Optimal use of rough diamond weight increased by more than 25% from 35-40% to over 50%.**
- ◆ Integration with inclusion mapping creates higher penetration barrier; also integrated with our best-in-class Quazer[®] laser cutting system.

Galaxy “CT” of Rough Internals



Multiple Diamonds Planning

Part Name	Grading	Yield (%)
1	GIA Very Good	50.41
2	GIA Very Good	50.91
3	user 1	49.51

Current Part Weight: 0.781

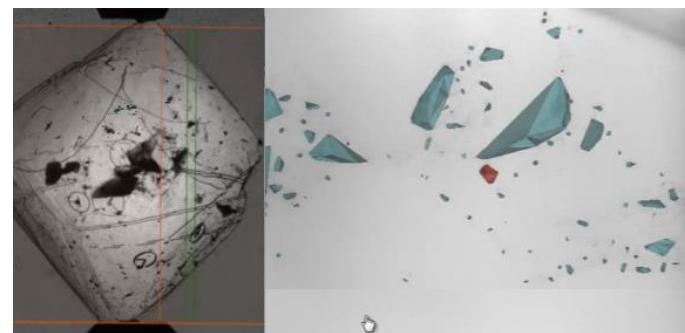


Galaxy[®] Family

- ◆ Introduced in 2010 with Galaxy[®] 1000
- ◆ Subsequent Galaxy[®] models provide solutions for higher clarities (VVS), for extra large diamonds up to 200 carats and for optimal processing of small and very small sizes cost-effectively
- ◆ ***Price Per Carat model with >80% gross margin; recurring revenue drives today ~46% of Group top line!***
- ◆ Total installed base of 711 systems (as at 31 December 2021)
- ◆ No meaningful legitimate competition for Group's patented technology.
- ◆ ***Stone scanning in FY2021 73% over 2020/2019***
- ◆ ***Expansion into very small stone segment where ~900 million stones polished annually creates robust market for future sales, albeit with minimal recurring revenue upside***

SARINE

/// GALAXY
1000



/// GALAXY
ULTRA



Trade & Retail Downstream Revolution



- ◆ What are the challenges?
 - ◆ B2B challenges – current manual grading subjective and insufficient for decision making process, dictating necessity for actual visual inspection at sourcing and leading to significant rejection of delivered polished diamonds (up to 30%).
 - ◆ Consumer transparency – 4C's primarily define rarity; consumers want additional information pertaining to beauty and quality of workmanship as well as documentation of sustainable and socially responsible mining, sourcing and polishing of diamonds.
 - ◆ Today's consumer wants information presented in intuitive and engaging digital formats enabling support of social media for peer-to-peer communications.
 - ◆ Lab-grown diamonds creating entire new market of lower valued goods, dictating need for differentiation and requiring documentation of quality and sustainability at a completely different cost level.



Traceability with Diamond Journey™



- ◆ Provides captivating visualization of the entire history of the rough stone – from mine to polished gem. Actual real-time generated imagery tracks stone through key stages from modeling at mine through polishing, culminating in its final polished form; captivates consumer with insight into painstaking craftsmanship of creating his/her unique gem.
- ◆ Documents the responsible sourcing and manufacture of the diamond – key to concern of consumers and other industry players.
- ◆ ***Not based on declaratory information but on actual data collected throughout the process*** - leverages our extensive presence in the midstream to implement ***solution with minimal overhead, disruption or cost to manufacturers*** based on existing installed base of Sarine's industry-leading technologies.
- ◆ Supported by Alrosa, world's largest diamond producer by carats and Lucara, Canadian miner operating in Botswana renown for large diamonds; additional miners evaluating.
- ◆ Leading polishers in India and Israel have adopted paradigm to be "Journey-ready" for retail demand; High-end sustainability-minded retailers such as Maison Boucheron adopting (more to follow in 2022).
- ◆ As a benefit to miners, adding Galaxy® derived information to source scan enables digital e-tenders of rough diamonds and better inventory control. Adopted by Alrosa, Lucara and Grib, as well as Choron, Gem Auctions, Koin and Stargems, leading rough secondary wholesalers in Dubai.



e-Grading™ Revolution: Clarity and Color by Artificial Intelligence Technology



- ◆ Groundbreaking Artificial Intelligence (AI) - based Clarity technology provides automated, objective Clarity grading – a first for the industry. More consistent than manual process, refines Clarity grading and enhances polished diamond sorting by manufacturers and sourcing by retailers. AI-based Color evaluation technology provides automated, objective and more precise Color grading. Gaining traction in U.S and Europe (Maison Boucheron).
- ◆ The integration of these new technologies with in-process control and verification software enables polished diamonds grading on site at suppliers, wholesalers and major retailers – e-Grading™. The shift from manual grading in diamond labs to automated technology-based grading on-site significantly reduces time (hours vs. weeks) and eliminates indirect costs (e.g. shipping and insurance). Also significantly reduces direct costs as lowers both quantity and skill levels of manpower required for grading. In initial commercial rollout in India.
- ◆ Business model for e-grading will be industry-standard per-carat charge (optionally packaged with light performance grading and Sarine Diamond Journey™ traceability). Should significantly expand the Group's recurring income and improve margins.
Addresses over US\$500M annual market of diamond grading. A successful rollout of e-Grading should result in gross margins similar to Galaxy® margins - ~80%.
- ◆ Working with Tiffany & Co. and signed with NGTC* to adapt to their respective criteria.

○ (*) National Gemstone Testing Centre – China's largest gemmological laboratory

Lab-Grown Diamonds



- ◆ Growing market acceptance of lab-grown diamonds (LGD) with ~50% of US retailers offering LGD in 2021.
- ◆ Shutdown of key Argyle mine, historically major producer of low-quality smaller diamonds, to contribute to expansion of LGD demand.
- ◆ Lab-grown diamonds are thus poised for rapid growth creating a new expanded market *concurrently* with and beyond today's US\$ ~80 billion natural diamond jewellery market.
- ◆ Have demonstrated applicability of our manufacturing technologies to LGD and already generating revenues from this evolving market segment.
- ◆ Due to prohibitive direct and indirect costs of third-party lab grading for LGD goods, e-Grading™ evolving as natural alternative. Also addresses 21st century technology factor – “diamonds produced by technology - graded by technology”.
- ◆ Have partnered with Constell to provide technology-based solutions for actual processing and follow-on related services on a revenue-sharing basis to customers in India.



FY 2021 – Recovery Drives Business



31 Dec (US\$)	FY2021	FY2020	% Change
Revenue	62.1	41.0	+52%
Gross Profit	45.8	27.1	+69%
Gross margin	74%	66%	NM
Operating Expenses	(26.9)	(22.3)	+21%
Profit Before Tax	18.9	4.0	+372%
Tax	(2.5)	(1.6)	+51%
Net Profit	16.5	2.4	+596%



FY2021 – Recovery Drives Business



- ◆ The pent up demand, continuing restrictions on international travel and fiscal stimulus by many governments contributed to strong consumer demand for diamond jewellery in 2021.
- ◆ With strong demand and resurgence in manufacturing activities, Group revenue rose 52% to US\$62.1 million. Higher recurring revenues, primarily from Galaxy[®] inclusion scanning revenues, lifted the gross profit margin to 74%.
- ◆ The strong recovery led to “normalisation” of expenditure but the 21% increase in operating expenses remains prudent, enabling net profit to rise 596% to US\$16.5 million. A final dividend of US 1.0 cent per ordinary share was declared.
- ◆ A total of 80 Galaxy systems were delivered in FY2021, and, as of 31 December 2021, our installed base was 711 systems.
- ◆ Overall recurring revenues (including Trade revenues) were approximately 55% of Group revenue in H2 2021 and 46% of Group revenue in FY2021. Overall rough and polished diamond wholesale and retail related (“Trade”) revenues, mostly from digital tenders, the Sarine Profile[™] and the Sarine Diamond Journey[™] were approximately 11% of group revenue for H2 2021 and 8% for FY2021. The corresponding figure for Trade revenues in FY2020 was 5%.



Strong Balance Sheet



(US\$ millions)	31 Dec 2021	31 Dec 2020
Non-Current Assets	20.1	22.5
- Property, plant & equipment	11.3	12.3
- Intangible assets	2.2	2.6
- Right-of-use assets	4.7	5.1
Current Assets	68.4	57.3
- Inventories	7.3	6.2
- Trade receivables*	23.1	22.0
- Cash & bank deposits	36.4	27.6
Non-current Liabilities	5.0	8.7
- Long-term lease liabilities	4.7	5.3
Current Liabilities	12.9	10.4
- Trade payables	2.3	1.9
- Other payables	7.8	5.9
Shareholders' Equity	70.6	60.7

* There is an additional US\$0.7M and US\$0.8M, respectively, in long-term trade receivables, at December 31, 2021 and 2020

Going Forward



- ◆ Continued market domination of inclusion scanning and mapping, rough planning and related manufacturing products and services. Advisor[®] 8.0 with enhanced features focused on small stone sizes launched, widening technological gap with piracy.
- ◆ The Group remains confident in expanding its market penetration of the Galaxy[®] family of inclusion mapping systems, as evidenced by ongoing record setting usage (+73% in FY2021 to 33M stones) and Meteorite[™] proliferation.
- ◆ Digital tenders opening doors for cooperation with key miners (Alrosa, Lucara, Grib) as well as with wholesale rough traders. Revenues for this segment up 243% in FY2021. Paradigm reduces costs, improves margins and enables nimbler moving of inventory. Key indirect benefit is enabling Sarine to establish critical anchors for traceability. Miners benefit from better inventory control.
- ◆ Sarine Profile[™], Sarine Diamond Journey[™] and AI-derived 4Cs e-Grading[™] address the retail trade of polished diamonds – the segment of the diamond value chain with highest margins. ***Optimally, these combined offerings should capture double-digit share of US\$ 500M+ market with high ~80% gross margins.*** Currently, wholesale and retail trade revenues (along with digital tenders) are expanding - ~8% of sales (~5% in FY2020).
- ◆ Our manufacturing-related, grading and retail/branding technologies are all applicable to LGD. Already generating revenues. Have partnered with Constell, a key provider of outsourcing services to bring technologies to this segment.

