

Operational Update

Desert Control Group

- Desert Control AS
- Desert Control Middle East LLC



Desert Control Group – Operational Update

(non-regulatory corporate release)

Stavanger, Norway, 29 June 2021 – Desert Control AS (DSRT) today announced its operational update for the second quarter of 2021. Progress is in-line with main objectives presented during the Oslo Stock Exchange Euronext Growth IPO launch, 14 April 2021. Desert Control is an Agri-Tech company specialized in reclaiming degraded land, turning desert sand into fertile soil, and reducing water consumption for agriculture and green landscapes.

During the second quarter Desert Control achieved several milestones *(described through the following pages)* that reflect focused execution including:

- First commercial contract signed – delivery expected to be completed by mid-October 2021
- Signed memorandum of understanding for strategic partnership with Mawarid Holding Investment LLC with objective to accelerate operational deployment
- Strong performance of other pre-commercial pilots exceeding KPI's for water savings
- Second-generation LNC mobile factory prototype expected to perform close to the 15,000 l/h target, in-line with announced production cluster objectives
- Expect manufacturing of additional LNC production units to start in Q3 2021, to complete first cluster (1 cluster = 4 units)
- Strengthening organization to meet the growth ambitions for second half 2021
- Webcast presentation of Operational Update 30.06.2021, 10.00 CET (details on page 6)



An update from the CEO, Ole Kristian Sivertsen: Second Quarter

Our second quarter of 2021 kicked off with the successful IPO on April 14th after having raised NOK 200 million to fund the company's growth and development plan. We welcome all shareholders joining our journey and noted 1,149 investors in the DSRT stock by June 15th.

First commercial contract

On June 8th, Desert Control signed its first commercial contract with the Mawarid Group in Abu Dhabi, United Arab Emirates. The first part of the agreement is a paid implementation of Liquid Natural Clay (LNC) for a variety of areas that further will serve as a pilot initiative for a potential future strategic partnership to accelerate regional deployment of LNC.



The project includes LNC application for agriculture initiatives including greenhouses and open-field cultivation of crops to investigate how LNC may support national UAE food-security initiatives. Further, LNC will be deployed within forestry, both for validating more sustainable methods for the planting of trees, and to determine potential water savings for maintaining existing trees and forests.

First phase of this project is expected to be finalized by mid-October 2021. The paid implementation of LNC for this initial stage is valued at USD 375,000 for Desert Control.

About Mawarid

Mawarid Holding Investment LLC is a reputable holding company with wide experience in many domains, including but not limited to, agricultural operations and nature conservation in the United Arab Emirates (UAE) and across the Middle East and North Africa (MENA) region.

Mawarid has dedicated subsidiaries which core business are of agricultural nature such as Barari Natural Resources, Mawarid Services and Mawarid Nurseries. Mawarid is one of the leaders in the field of agriculture and landscaping, as well as the conservation of nature and biodiversity in the UAE. Mawarid manage 438 forest and nature reserves in Abu Dhabi covering more than 200,000 hectares of land, with 13 million forest trees and above 400,000 date palms. Mawarid is an integral partner for executing initiatives to preserve natural resources, such as water, whilst promoting the national food-security strategy in the UAE.

It's worth mentioning that Mawarid employs over 11,000 staff dedicated to related industries and own more than 3,000 vehicles, specialty equipment and machinery for their forestry and agriculture operations, much of which may be directly applicable for LNC deployment.

MOU for Strategic Partnership between Mawarid and Desert Control



The second part of the agreement with Mawarid is a memorandum of understanding with the intent to establish a strategic partnership for large scale operational deployment of LNC in the UAE.

Desert Control will in such a partnership, remain the owner of its intellectual property and continue the development and production of LNC, while the partnership – Desert Control and Mawarid – collectively will develop the go-to-market channel and establish a shared entity that will specialize in application solutions to provide LNC deployment for agriculture, forestry, ecosystem restoration and nature conservation in the United Arab Emirates.



Desert Control has a global market for LNC, and, under the MOU and subject to the final terms of the partnership, Mawarid is granted exclusive rights for the segments in UAE with a potential to expand the relationship further, with a priority partnership for areas in other jurisdictions across the Middle East and North Africa (MENA). Any other existing and ongoing Desert Control pilots, commercial projects, and/or agreements will be honored, and will not be negatively affected by this partnership.



Based on a successful pilot and the establishment of partnership with Mawarid, this may accelerate Desert Control's business model from a direct B2B (business to business) to an in-direct sales- and distribution structure where the partner takes on all responsibility for the last-mile delivery to customers. This will enable Desert Control to focus fully on the production of LNC alongside R&D and strategic business development. This could, in turn, accelerate LNC deployment in the MENA region and further serve as a model for global expansion.

Strong Performance of other Pre-Commercial Pilots

Taking all Covid-19 precautions, including hazmat suits in spite of the heat, the team successfully completed LNC treatment for a pilot for a high-end VIP property in Abu Dhabi. The pilot objective was to demonstrate ability to achieve 25% water savings. The results came in with strong performance of above 35% savings.

The pilot was conducted on areas less than 1,000 m² of the more than 200-hectare property. During Q3 the team aims to continue commercial negotiations for the contract to deploy LNC for the remaining property.

Other pilots such as the In5 Tech Garden of Tecom Group and Dubai Holding are also expected to progress onwards to commercial negotiations and planning during the second half.



R&D Update: Second-Generation LNC Mobile Factory Prototype

As announced in our IPO presentation, the production capacity target for per LNC production unit (mobile factories) is 15,000 liters/hour (60 cubic/hour for a 4-unit production cluster). The first-generation prototype achieved some 6,000 liters/hour, and we mentioned expecting to close the gap with the second-generation unit during June 2021.



Core engineering and build of the second-generation prototype is complete, and the unit is under final stages of testing.

June 27th the unit was operating at 14,300 liters/hour, and whilst some more testing, calibration, and quality assurance remains ahead of final factory acceptance test (FAT), we remain positive of the outlook to successfully close the gap on production capacity per unit based on these results.

After final FAT and an operational test period in the field, the next

batch of units will move forward to manufacturing. Based on this progress it is expected to finalize the first complete production-ready cluster by the 4th quarter as previously announced.

Other R&D Achievements

During Q2-2021 the first prototype for injection of LNC into the ground for green landscapes, parks, sports fields, and turf areas was completed. The prototype is currently on its way to the United Arab Emirates, expected to reach Dubai during July to start initial field testing.



Further, extensive R&D and testing for deployment of LNC through drip-irrigation systems have been conducted throughout the quarter. Specific methodologies and protocols are being developed for various scenarios of application. The results from our in-house lab-environment are positive; showing consistent distribution of LNC throughout the soil layers down to depths as far as 60 centimeters. During the second half of 2021 testing will be extended to the field for both landscaping and agriculture use.

Organizational growth to meet future ambitions

Recruitment and hiring activities are initiated with the objective to grow the team with 20 new employees. 5 people are expected to join Desert Control AS in Norway, primarily to strengthen R&D. For Desert Control Middle East LLC in Abu Dhabi and Dubai; 15 people are expected to join the team during the third quarter, with a mix of technical and operational resources. The UAE team will continue growing throughout the year. We will add staff for the operation of a growing number of LNC production units, and team members to support deliveries related to the Mawarid agreement and other potential commercial opportunities.

In May we further secured a 1,000 m² extension of warehouse and offices for our Abu Dhabi facility to support the growing activity in the UAE.

Further, a branch office of Desert Control Middle East LLC was established in Dubai, and we opened an office in Arenco Towers, Dubai Media City.

Abu Dhabi is our headquarter for the UAE, operational hub, and center of excellence for Climate-Smart Agriculture for the Middle East. Dubai is our main commercial office and hub for the UAE landscaping and greenery segment.

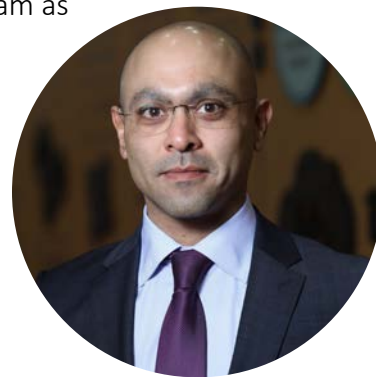


Strengthening UAE leadership

We are excited to welcome Moamen M.M. Younis, joining our team as Director of Operations for Desert Control Middle East LLC.

Moamen is a growth-oriented professional with 18 years of experience leading business operations, resource optimization, project management, procurement, and executive management in both public and private sector.

With his extensive network across the UAE and demonstrated expertise from implementing effective strategies to streamline operational activities to optimize overall profitability, he will be a great addition to the Desert Control team.



USA: Validation of LNC for American soil

As previously announced, the validation initiatives with universities in Arizona and California was postponed due to Covid-19 travel restrictions. Once circumstances allow for safely bringing personnel and equipment from Norway to the US, these activities will resume.

Green Award for Innovation

Desert Control was announced winner of the innovation category of the Green Awards at the Greentech Festival. The recognition is given for the technology innovation LNC and the company's efforts to stop and reverse desertification and soil degradation.

DSRT: Reporting Schedule

Financial results for the first half of 2021 will be presented September 3rd. Desert Control has published the financial calendar for 2021 with bi-annual reporting and decided moving to quarterly reporting from Q1-2022. We will therefore also issue an operational update later in the fourth quarter (Q4 2021).

Webcast Presentation 30.06.2021: Desert Control Operational Update Q2 2021

Arctic Securities is hosting an online presentation Wednesday, June 30, 2021, at 10:00 (10.00 AM) Central European Time (Oslo). To register contact: events@arctic.com. After the presentation, there will be a moderated question and answers session. Questions to the company on the Operational Update can also be submitted to Arctic Events in advance.

Cautionary note

(disclaimer related to forward-looking statements)

This release contains forward-looking information and statements relating to the business, performance, and items that may be interpreted to impact the results of Desert Control and/or the industry and markets in which Desert Control operates.

Forward-looking statements are statements that are not historical facts and may be identified by words such as "aims", "anticipates", "believes", "estimates", "expects", "foresees", "intends", "plans", "predicts", "projects", "targets", and similar expressions. Such forward-looking statements are based on current expectations, estimates and projections, reflect current views with respect to future events, and are subject to risks, uncertainties, and assumptions, and may be subject to change without notice.

Forward-looking statements are not guaranteeing any future performance, and risks, uncertainties and other important factors could cause the actual business, performance, results or the industry and markets in which Desert Control operates in to differ materially from the statements expressed or implied in this release by such forward-looking statements.

No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecasted performance or results will be achieved, and you are cautioned not to place any undue reliance on any forward-looking statements.

The update covers certain reports on current status of R&D, field trials, and pilots. Results are presented to the best of knowledge based on current findings;

Second-generation prototype LNC production unit demonstrated 14,300 liters/hour capacity during test operations on June 27th, 2021, and although the company is positive to reach the 15,000 liter/hour target with this technology platform, it is emphasized that more testing remains including assessment of output quality and running the system in its field operational environment. Regarding the mentioned precision inject application (PIA) prototype, it is emphasized that this is the first prototype of a novel solution where no comparable technologies exist in the market. It has proven a more comprehensive R&D undertaking to develop the prototype, and testing remains. The PIA unit will undergo substantial field trials once arriving in the UAE. Further the mentioned results related to distribution of LNC through drip-irrigation systems shows positive results in internal lab-environment, still it is emphasized that results in real-world environment within agriculture and landscaping may differ, and field trials will be required to determine no risk or harm to irrigation systems and final feasibility. No representation is made that forecasted results and performance will be achieved.

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About Desert Control AS

Agriculture and food production consume more than 70% of all available freshwater. When topsoil degrades, water consumption increases further as it permeates through sandy soils like a sieve. Simultaneously, population growth drives the need for more food over the next 40 years than was produced in the last 500 years, putting even more pressure on scarce resources such as water. This is the problem Desert Control is determined to solve. There are tremendous growth opportunities in a market that is growing rapidly. Annually, 12 million hectares of fertile land perish to desertification.

Desert Control is a climate technology company specialized in reclaiming degraded soil and turning desert sand into fertile soil. The patented product LNC (Liquid Natural Clay) is a liquid clay compound that enables sand and degraded soil to retain water and nutrients. LNC thus increases crop yields, while consumption of water and fertilizer decreases by up to 50%.

Operational Update – Desert Control Group

The Board of Directors
Desert Control AS

Sandnes, Norway, 29 June 2021

Investors

<https://www.desertcontrol.com/investors>

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