

# H2 2021 Operational Update

Operational Updates for 2<sup>nd</sup> Half 2021

## Desert Control AS

**DSRT**

EURONEXT  
GROWTH

**Making Earth Green Again**

Offices: Stavanger – Abu Dhabi – Dubai



**DESERT**  
CONTROL

## H2 2021 Operational Update

Sandnes, Norway, 20 December 2021 – Desert Control AS (DSRT) today published its H2 Operational Update.

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) enables sustainable ecosystem management by restoring and protecting soil's ability to preserve water and increase yields for agriculture, forests, and green landscapes.

After the successful IPO in H1, Desert Control delivered on its commitment to accelerate operational scale-up, increase production capacity, and execute strategic projects and market activities in H2. Key achievements include:

- Expanded to the U.S. and established Desert Control Americas Inc. Hired first U.S. employees, finalized agreement with the University of Arizona, and started local assembly of the first mobile LNC production unit to support the upcoming pilot projects in the U.S.
- Successfully executed stage two of the MoU with Abu Dhabi based Mawarid Holding Investment. Entered strategic partnership and concluded agreement to launch a dedicated new sales and distribution company for LNC in the United Arab Emirates (More details on page 3)
- Achieved 3X increase in LNC production capacity
- Succeeded with 5X organizational growth to build operational capability to deliver projects and utilize LNC production capacity
- Gained global awareness as a selected Global Innovator by Expo Live, featured at EXPO 2020 Dubai
- Established new R&D center and innovation lab in Norway to strengthen innovation capabilities, accelerate development of digital platforms and formulation algorithms, and advance “green-box” reactor development (\*\* see more details on page 4-5)



Backed by a solid financial position from the IPO in April, the company increased LNC production capacity from 60,000 to 180,000 l/h and grew from 10 to 51 FTEs during H2. The company further expanded to the United States and successfully executed the MOU and pilot initiative with Mawarid in the United Arab Emirates. Further to the results of the pilot, Desert Control and Mawarid, on December 15 announced a strategic partnership by forming a new sales and distribution company for LNC in Abu Dhabi to serve the UAE and Middle East region. Next phase targets full scale commercialization in the UAE through the new sales and distribution company. Desert Control concludes H2 2021 with a strong position and remains well-funded to execute the planned commercialization and market expansion ahead.

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A webcast presentation for Desert Control H2 2021 Operational Update is hosted **on 20 December 2021 at 10.00 AM**, Central European Time (CET / UTC+1). Registration details on page 6.

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*"The nation that nurtures and builds its soil builds itself, says **H.E. Abdul Jalil Ablouki**, Chairman of Mawarid.*

*We must treat our **natural resources** as assets to be passed on to the next generation at **increased value**.*

*In **partnership** with Desert Control, we can turn sand into soil, create arable land, and **preserve water**.*

*Together we will nurture and safeguard natural resources to **strengthen food security** and the **prosperity** of our nation and our planet."*

## Company Update: Second Half 2021

The company grew from 10 to 51 employees in the second half, tripled its LNC production capacity, secured a strategic partnership in the Middle East, and expanded its operation to the United States. "These are amazing achievements, says CEO Ole Kristian Sivertsen. It's all about people, and the passion, dedication, and drive of everyone in our team is what makes it possible. Together we are building a culture to make earth green again!"

### Expansion to the U.S.

Desert Control Americas Inc. was successfully incorporated in Q4 as a Delaware C corporation with its office in Palo Alto, California. Desert Control Americas is wholly owned by Norwegian Desert Control AS. The U.S. operational headquarter will be located strategically to serve California, Arizona, Nevada, and New Mexico as its initial target market. The first employees in the U.S. have been hired and started as of December 15. On December 17, the company reached a final agreement with the University of Arizona for the first pilot project on American soil which will launch early Q1 2022. Discussions with three additional Universities for collaboration initiatives related to LNC are ongoing. Further, the company has evaluated vendors for the subcontracting of LNC production unit assembly in Houston, Texas. Build and assembly of the first mobile LNC production unit for pilot projects in the U.S. has started and the unit is expected to be operational early Q1-22.

### Significant progress for Desert Control Middle East LLC

During the second half, Desert Control Middle East focused its efforts on three main priorities. (1) The Mawarid initiative, (2) Building LNC production units to increase capacity, and (3) Hiring activities to support the capacity ramp-up. With two new LNC production clusters completed on December 15, Desert Control is reaching its 2021 production capacity objective. Based on these achievements, the company is now preparing to move forward with previously completed pilots. The objective going forward is to convert pilots and sales opportunities to commercial contracts for delivery through the new sales and distribution company in UAE.

Desert Control Middle East grew from 3 FTEs in Q1 to 35 FTEs in Q4. Recruitment activities suffered some delays due to Covid-19. Nine of the most recent hires will join during the coming weeks. Most new hires are field workforce related for the operation of LNC production. Each cluster (60,000 l/h capacity) is run by a team of 8 operators, a field technician and a supervisor. Current operational staff in service since August have gained significant experience running the first cluster and will serve as trainers for efficient onboarding of new hires. Recruitment is ongoing for 10 remaining FTEs to fully staff 3 clusters.

### The Mawarid Desert Control partnership

December 15, Desert Control and Mawarid announced entering strategic partnership by forming a new sales and distribution company for LNC in Abu Dhabi. The announcement follows the MOU and pilot announced on 8 June 2021. Further to the results of the pilot the parties agreed to execute stage two of the MOU by creating a new company that targets accelerated deployment and full-scale commercialization of LNC in the UAE.

The new company will be incorporated as limited liability company in Abu Dhabi under a 49/51 percentage shareholding between Desert Control and Mawarid. The 51% Mawarid shareholding enables the new company to be recognized as local entity in the UAE. Being a local entity ensures the company to be fully qualified to deliver LNC and services to governmental, public, and private sectors. Backed jointly by reputable shareholders the new sales and distribution company will be strategically positioned in the Middle East region.

The parties have agreed on the essential elements of a business plan, formed a roadmap of future expansions, and agreed on cash requirements necessary to establish and develop the new company. Mawarid will support the new company with sufficient working capital to establish and grow the business. The business plan further targets alignment with Desert Control's previously announced plan for ramp-up of LNC production capacity.

Under this agreement, the new company is formed with sales and distribution rights for LNC across the Middle East and North Africa (MENA) and will be Desert Control's exclusive partner in the UAE. The company will buy LNC from Desert Control at arms-length commercial terms. The company will further resell LNC in combination with implementation and turnkey services for treatment of land areas in the local markets. Desert Control remains the sole owner of all its IP, patents, data, and know-how, and will support the new company with methodology, protocols, and quality assurance measures to ensure delivery excellence and customer satisfaction. Desert Control also remains the owner of its production technology, and Desert Control Middle East will be the operator of all clusters (LNC production units), using its expertise and experience to provide tailor made LNC to the new sales and distribution company for all its projects and deliveries. Combined with Mawarid this = better together!



## The Mawarid Desert Control partnership (cont.)

Mawarid manages more than 200,000 hectares of land including 13 million forest trees, 550,000 date palms, nature reserves, landscapes and agricultural land. The new company will be strategically positioned to provide LNC services to preserve water and strengthen food security by enabling more efficient use of resources for the Mawarid managed areas. Further, and more importantly the company will aim to become a leading provider of climate-smart agriculture solutions to combat desertification and soil degradation in the UAE and across the MENA region.

The strategic partnership will allow Desert Control to focus fully on continuous development of its LNC technology and the production of LNC. Sales, distribution, delivery, and the application of LNC in the field will be managed by the new jointly owned company. The sales and distribution company will further have access to Mawarid's 11,000 strong workforce with significant experience within agriculture, forestry, landscaping, and nature conservation. The synergistic partnership with Mawarid in the Middle East allows Desert Control to focus on its core, which in turn allows for faster scale-up with optimal utilization of capital and resources.

Next phase targets full-scale commercialization in the UAE through the new sales and distribution company which will be incorporated as soon as possible, and targets start of operation in Q1 2022.

## 3X increase of LNC production capacity

Desert Control maintained its objective to increase production capacity from 60,000 l/h in H1 to 180,000 l/h by the end of H2. December 15, the company concluded its factory acceptance test (FAT) of two new clusters, each with a capacity to produce 60,000 liters of LNC per hour, thus increasing the company's total capacity by 3X. The two new clusters consisting of eight 20-ft container-sized units could be observed driving through the Abu Dhabi desert for the inception journey to the field on Sunday December 19. Additional personnel for the operation of the new clusters are in final stages of recruitment and onboarding, and the added capacity will ensure a successful start for the new Mawarid Desert Control partnership company.



## 5X Growth of the organization

During H2 Desert Control grew the organization by 5X going from 10 to 51 passionate and dedicated employees. The company has implemented a recruitment and onboarding process to ensure optimal balance between expertise, experience, and personal values to build a strong and uniting culture. The company further values diversity. Excluding field workforce, 33% of the employees are female, and the 51 employees are made up of 16 nationalities including Norwegian, Thai, Iranian, Filipino, Pakistani, British, Iraqi, Egyptian, Indian, Sudanese, Syrian, Swedish, Danish, Ugandan, Cameroonian, and Tunisian.

## Expo 2020 Dubai highlights

Desert Control is featured by Expo Live as a selected global innovator. A unique presentation of Liquid Natural Clay is showcased at the good place pavilion and LNC demos are also running in the sustainability pavilion of EXPO 2020 Dubai. The event runs until end of March 2022 and generates significant leads and opportunities as well as global awareness. Recently Bill Gates visited Desert Control to learn about the LNC innovation.

## New R&D center in Norway

On November 25, Desert Control launched a new R&D center in Stavanger, Norway. The center will serve as the company's global innovation lab to consolidate all technology development and intellectual property in a central hub. The objective of the center is to strengthen innovation capabilities, accelerate development of digital platforms, drive continuous improvement of LNC formulation through algorithms enable by AI and machine-learning, and advance the development of "green-box" reactors and control systems.



## New R&D center in Norway (cont.)

### Green-box reactors and control systems

The core of the patented LNC technology is the reactor that processes clays and natural minerals into its liquid state with unique properties. The reactor and other mechanical components of the mobile LNC production units will be managed by control systems that will integrate with the company's centralized formulation database and its global data collection networks. By centralizing the development of "green-box" reactors and control systems in Norway, the company gains strong control of intellectual property while enabling outsourcing of the building of 20-ft container-sized LNC production units without exposing core IP.

### Other R&D priorities

Other priorities of the R&D center are to advance the areas of digitalization, formulation, and automation. LNC is tailored-made specific to unique combinations of various soils, plants, water qualities, and environment factors. At the current stage formulations are to a large extent managed manually which requires more extensive training of operators. R&D initiatives under this area aims to fully automate this process like LCD operated coffee machines that can formulate the desired drink by the touch of a finger. This will in turn enable future evolution of the company's business model that can drive exponential scalability.

The new R&D center is established in an old fire station, emphasizing the importance of acting as if our house is on fire.



## Outlook: First Half 2022

Desert Control targets continued operational scale-up, execution of strategic projects both in the U.S. and the UAE and moving forward towards full-scale commercialization in 2022. Key objectives for the first half include:

- Successfully establish the new sales and distribution company in partnership with Mawarid
- Convert pilots and strategic opportunities in the UAE into commercial contracts
- Complete the first pilot projects on American soil in collaboration with the University of Arizona
- Launch additional LNC collaboration initiatives with Universities in the U.S. and execute the first paid pilots
- Continue increasing production capacity aligned with business plan and market demand
- Strengthen Desert Control's corporate leadership by attracting a world-class Chief Commercial Officer and Chief Operations Officer
- Build organizational capabilities to support the next stage of full-scale commercialization

## Webcast Presentation: 20 December 2021

Desert Control H2 2021 Operational Update

Desert Control is hosting a webcast presentation following its H2 2021 Operational Update on Monday, 20 December 2021, at 10:00 AM Central European Time (Oslo, UTC+1).

Registration: [https://us06web.zoom.us/webinar/register/3716396790390/WN\\_ne7ttuCvQz6FoY1slcLOcw](https://us06web.zoom.us/webinar/register/3716396790390/WN_ne7ttuCvQz6FoY1slcLOcw)

After the presentation, there will be a moderated question and answers session.

Questions for Q&A can be submitted in advance to [erling.rasmussen@desertcontrol.com](mailto:erling.rasmussen@desertcontrol.com)

## DSRT: Financial Reporting Schedule

Financial results for H2 2021 will be presented February 25<sup>th</sup>, 2022. The annual report for the fiscal year 2021, will be released on 28 April 2022.

## About Desert Control

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) restores and protects soil, reducing water usage for agriculture, forests, and green landscapes. LNC enables sand and degraded soil to retain water and nutrients, thus increasing crop yields and ecosystem resilience while preserving water resources by up to 50%.

Agriculture and food production already consume more than 70% of all available freshwater. Desertification and soil degradation further increases water consumption in a negative spiral. Our growing global population will require more food in the next 40 years than was produced over the last 500 years, putting even more pressure on vital resources such as water. This is the problem Desert Control is determined to solve. According to the United Nations, twelve million hectares of fertile land perish to desertification, representing an annual \$490 billion loss to the global economy. Our vision is to make earth green again.

## Inquiries

For more information, please contact:

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## 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, capacities, or results will be achieved, and you are cautioned not to place any undue reliance on any forward-looking statements.

# Statement by Management and Board of Directors

Desert Control H2 2021 Operational Update

Management and the Board of Directors have considered and approved the H2 2021 Operational Update of Desert Control AS (“the Company”) and its subsidiaries (collectively, “the Group”).

In our opinion, the Operational Update interim report gives an accurate and fair view of the Company’s operational activities and operational performance as of 20 December 2021. Notwithstanding the disclosures included in the interim operational report, no changes in the Group’s most significant risks and uncertainties have occurred relative to the disclosures in the Information Document filed for the listing on Euronext Growth Oslo Stock Exchange, last published with completed annexes on 11 June 2021.

## The Board of Directors Desert Control AS

Sandnes, Norway, 20 December 2021.

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**KNUT NESSE**

*Chairman of the Board*

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**KRISTIAN P. OLESEN**

*Member of the Board*

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**BRAGE W. JOHANSEN**

*Member of the Board*

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**ARNFINN MATRE**

*Member of the Board*

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**MARIT RØED ØDEGAARD**

*Member of the Board*

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**GEIR HJELLVIK**

*Member of the Board*

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**OLE KRISTIAN SIVERTSEN**

*Chief Executive Officer*

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## ESG and Impact

### Impact on External Environment and Sustainability

Liquid Natural Clay (LNC) can reduce water consumption for agriculture, forests, and green landscapes by up to 50%. The amount of water required to produce LNC is recovered within 2-3 weeks (offset by irrigation water savings). Increased crop yields with improved water efficiency contribute significantly to the United Nations Sustainable Development Goals (SDGs), including reducing hunger and securing access to clean water. Arid regions using energy-intensive desalination of seawater can further significantly reduce CO<sub>2</sub> and greenhouse gas (GHG) emissions.

LNC enables sandy soil and desert land to retain water and nutrients. Reduction of water consumption further allows for reducing fertilizer usage. Reduced leaching of fertilizers and pesticides through the soil can further minimize the risk of chemical run-off reaching through to natural water systems and oceans. Stopping fertilizer and pesticide leaching can further improve life below the water by reducing ocean acidification and eutrophication.

According to the Intergovernmental Panel on Climate Change (IPCC), restoring degraded soil ecosystems can globally offset 5-6 Gt of CO<sub>2</sub> annually. Even degraded soils have degrees of stored carbon. When tilling or mechanically working amendments into the ground, carbon exposed to oxygen may turn into CO<sub>2</sub> and escape into the atmosphere. LNC can be applied directly to the surface of the ground without intervention to the soil. LNC percolates into the ground in a non-intrusive way without exposing any carbon to surface air oxygen; safeguarding the carbon storage of soil ecosystems and fostering increased carbon sequestration.

Non-intrusive soil treatment is further gentle to fragile soil-ecosystems, which is the home of 95% of all biological species on earth. Reclaiming and protecting soil is therefore critical to preserve and restore essential biodiversity.

Mining clay and the production of LNC requires energy. Logistics and transportation of material, equipment, and personnel, and manufacturing of equipment also require energy. Desert Control strives to reduce energy consumption in all stages of the process and facilitate the use of renewable energy sources wherever available. These negative impact factors are, by far, surpassed by the sum of positive impact from stopping and reversing desertification and soil degradation, reducing water consumption, and other environmental benefits.

LNC has no adverse impact on any of the 17 United Nations Sustainable Development Goals (SDGs). Further, LNC has a significant direct positive impact on 9 of the SDGs.

Powered by operational data, an updated ESG and impact reporting framework will be under development during Q4 to align with ESG reporting standards for investors and stakeholders.

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