

# Q1 REPORT 2024

**Company Update**  
Desert Control AS



# DESERT CONTROL IN BRIEF



**Provider of Liquid Natural Clay (LNC) for soil improvement and water conservation.**



**12+ years of R&D, 5+ years of independent validation and field pilots.**



**Proven water savings of 35-50% while improving plant health and crop yields.**



**Currently operating in the U.S. and through licensed operator partners in the Middle East.**



**Solutions for agriculture, landscaping, tree-planting, and forest management.**



**Collaborating with leading academic, agricultural and environmental organizations.**

Q1 2024  
**AGENDA**

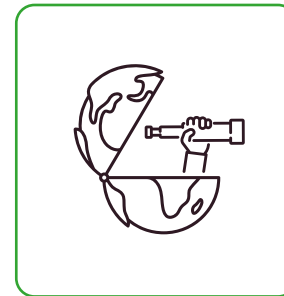
## COMPANY UPDATE PRESENTATION



**Highlights**



Financials



Outlook



Questions  
and answers

# Q1 2024 SUMMARY AND POST-QUARTER DEVELOPMENTS



## UNITED STATES

- **Deployed LNC over 60 acres for Limoneira**
  - ✓ Application through irrigation system
  - ✓ 3X land area treated compared to the same period of 2023, using half the number of production units and 1/3 of the labor (Significant COGS reduction)
- **Continued Pilot Program Progress**
- **Completed First Golf Course Fairway**
- **Deployed LNC for ~700 Date Palms**
- **Preparing for Mid-term Report in the University of Arizona Validation Program**
- **Expanding University Collaborations**



## MIDDLE EAST

- **Commercial Traction Developing in the UAE**
  - ✓ First partner-driven commercial project to deploy 3 million liters of LNC (residential)
  - ✓ Masdar City presented an achievement of >50% water savings from LNC deployment
  - ✓ Growing pipeline of pilots and projects
- **Momentum is building in Saudi Arabia, with 3 Strategic Pilots + 1 MoU secured thus far:**
  - ✓ Government sector - landscaping
  - ✓ Government sector - agriculture
  - ✓ Government sector - afforestation
  - ✓ Private sector - food industry/agriculture
- **Growing Interest Across the MENA Region**



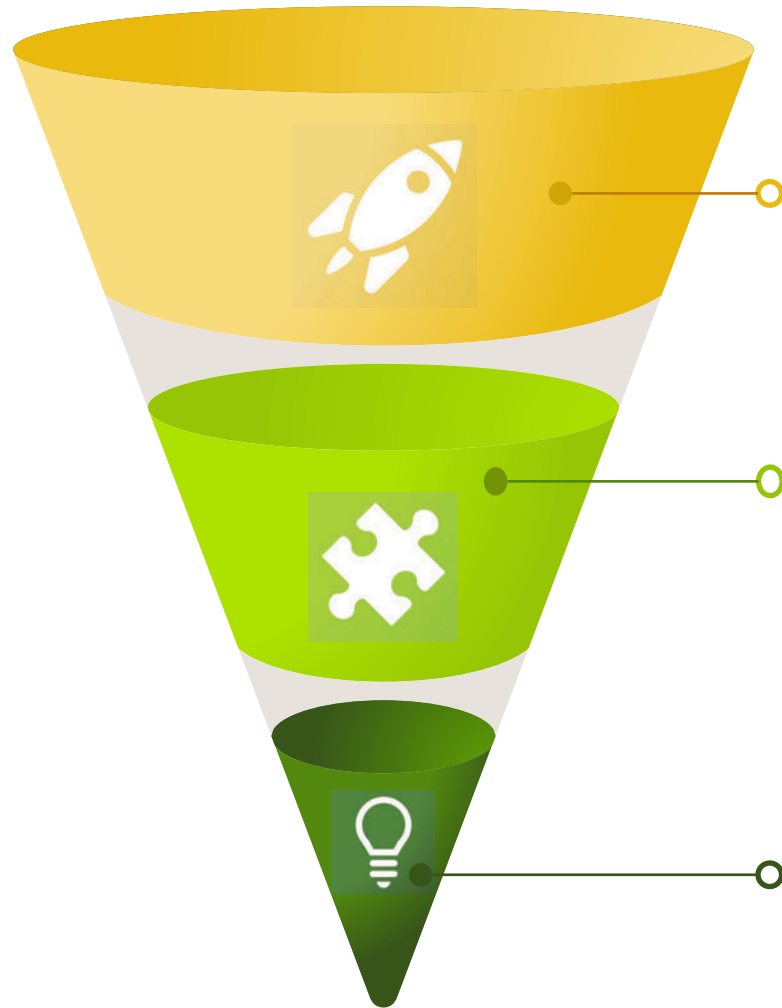
## INNOVATION

- **LNC Production and Application**
  - ✓ Achieved significant advancements in production and application capacity
  - ✓ Delivered high volumes of LNC through three different customer irrigation systems
- **R&D Priorities**
  - ✓ Research on organic additives synergizing with LNC to improve broader soil health
  - ✓ Enhancing LNC's ability to reduce fertilizer leaching, lower soil salinization, and increase yields (beyond water savings)
- **Improve Cost Efficiency and Scalability**
- **Increase Value and Expand Market Reach**

# SIGNIFICANT EFFICIENCY IMPROVEMENTS



# U.S. PILOT PROGRAM UPDATE: Q1 & YTD 2024 (29 projects)



## STAGE 1

### Technical Pilots

Engagement with potential clients initiated through smaller-scale pilot programs to validate LNC's efficiency - essentially proving that "it holds water" and offering R&D opportunities while exploring the total benefits for clients.

### Agriculture (17)

- 8 Permanent Crop Pilots
  - 4 Citrus, 2 dates, 2 vines
- 3 Row-Crop Pilots
  - Various vegetables & herbs
- 3 Forage-Crop Pilots
  - 2 Alfalfa & 1 sudan grass
- 3 Specialty Pilots
  - Land restoration
  - 2 Farm road dust control
- 6 Golf Course Pilots

## STAGE 2

### Extended Pilots (Commercial Pre-Projects)

Successful Stage 1 pilots evolve into larger commercial pre-projects with the objective of demonstrating the scalability and economic viability of LNC across larger areas, assessing cost savings, and the impact on yield and crop quality over extended areas.

### Agriculture (3):

- 3 Permanent Crop Deployments
  - Citrus orchard
  - Organic date farm
  - Vineyard

### Landscaping (2)

- 2 Golf Course Deployments
  - 2 Single Full Fairways
  - Multiple greens
  - 1 Softball field

## STAGE 3

### Larger-Scale Deployments

Upon successfully completing Stage 2, the objective is to enter contracts for larger-scale commercial deployment.

### Agriculture (1):

- 1 Permanent Crop Deployment
  - Limoneira Company (Citrus)
    - Yuma ranch (60 acres)

# AGRICULTURE OPPORTUNITIES

## CURRENT MAIN FOCUS

- Permanent Crops
  - Citrus
  - Dates
  - Vines
  - (Nuts & other fruit trees)
- High-Value Specialty Crops
- Organic & Regenerative Farming
- Growers with High Water/Energy Costs

## KEY DRIVERS

- Increase Yields and Conserve Water (More Crop Per Drop)
- Reduce Other Costs
- Increase the Value of Agricultural Land
- Enable Transition to Higher-Value Crops



April 29, 2024

## **FIRST GOLF COURSE FAIRWAY** (Yuma, Arizona)

“Applied Desert Control’s turf solution for water conservation to an entire fairway, multiple greens, and a softball field through the client’s existing irrigation system.”



# GOLF COURSE OPPORTUNITIES

## MARKET

- Global total: ≈38,000 courses
- United States: ≈16,000 courses
  - California: >950
    - Riverside/Coachella: >150
    - San Diego County: >110
    - Los Angeles Area: >120
  - Nevada/Las Vegas: >50
  - Arizona: >300
  - Texas/New Mexico: >950
  - Florida: >1,250
- Middle East: 57 courses (>20 planned new developments)
- Average Course Size: 120–200 acres (85–100 acres of turf)



**HIGH  
WATER  
COST**

## KEY DRIVERS

- Increasing Water Use Restrictions
- Increasing Water and Energy Costs



# GOLF COURSE OPPORTUNITIES

## MARKET

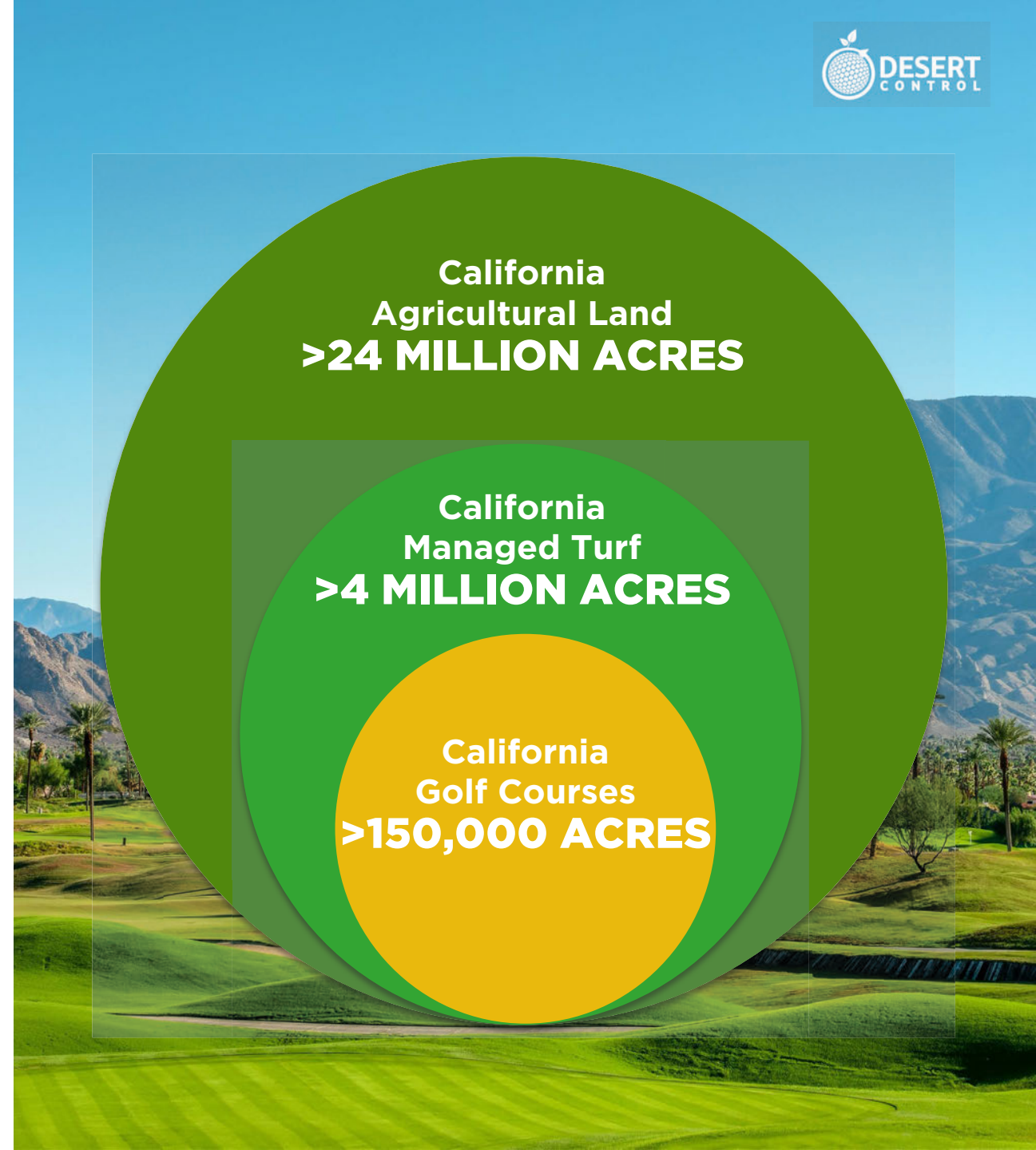
- Global total: ≈38,000 courses
- United States: ≈16,000 courses
  - California: >950
    - Riverside/Coachella: >150
    - San Diego County: >110
    - Los Angeles Area: >120
  - Nevada/Las Vegas: >50
  - Arizona: >300
  - Texas: >850
  - Florida: >1,250
- Middle East: 57 courses (+20 planned new developments)
- Average Course Size: 120–200 acres (85–100 acres of turf)



**HIGH  
WATER  
COST**

## KEY DRIVERS

- Increasing Water Use Restrictions
- Increasing Water and Energy Costs



**California  
Agricultural Land  
>24 MILLION ACRES**



**California  
Managed Turf  
>4 MILLION ACRES**



**California  
Golf Courses  
>150,000 ACRES**

Q1 2024  
**AGENDA**

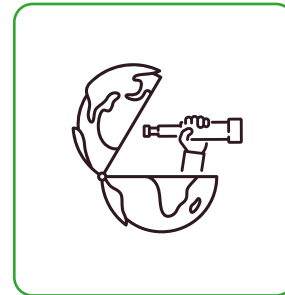
## COMPANY UPDATE PRESENTATION



Highlights



**Financials**



Outlook



Questions  
and answers

# FINANCIAL KEY FIGURES

## Q1 2024

- Revenue: NOK 1.3M [NOK 1.9M]
- EBITDA: NOK -14.7M [NOK -23.4M]
- Net Income: NOK -7.9M [NOK -19.3M]
- Cash and cash equivalents<sup>1</sup>: NOK 105.1M [NOK 56.7M]  
(includes bank deposits and funds)
- Equity<sup>2</sup>: NOK 115.4M (96.4%) [NOK 86M (89%)]

\* Financial Key Figures in brackets represent the previous period for comparison.

<sup>1</sup> Total cash balance: Includes bank accounts, bank deposits and financial assets.

<sup>2</sup> Percentage in brackets next to equity represents the equity ratio.

The figures presented in this section includes both continued and discontinued operations. Revenue as outlined includes contributions from 'Other Revenue,' which originated from the cessation of our direct activities in the Middle East and the shift towards a licensing model in the prior year. These figures reflect the net outcome after adjusting for goodwill, covering the final transactions, including sales, settlements, and the formation of licensing agreements, as part of our strategic decision to discontinue direct operations in this region. These impacts were disclosed in the 2023 annual report. No material changes have taken place in Q1 2024 compared with the annual report. For further details into the financial impact of this decision, including the details on discontinued operations, readers need to refer to Note 5, "Discontinued Operations," in this quarterly financial report.

**96,4%**  
Equity ratio

**≈105M**  
Cash and Cash  
Equivalents\*

**0**  
debt

# Consolidated Statement of Comprehensive Income

(Amounts in NOK thousand)	Notes	Quarters		Full Year
		Q1 2024 (unaudited)	Q1 2023 (unaudited)	2023 (audited)
Revenue from sales	2	1 263	826	845
Other income		-	510	543
<b>Total revenue and other income</b>		<b>1 263</b>	<b>1 336</b>	<b>1 388</b>
Cost of goods sold (COGS)		154	60	63
<b>Gross margin</b>		<b>1 109</b>	<b>1 276</b>	<b>1 325</b>
Salary and employee benefit expenses		9 830	12 061	37 878
Other operating expenses		5 700	6 621	23 473
Depreciation and amortisation		1 285	863	4 175
<b>Operating profit or loss</b>		<b>-15 689</b>	<b>-18 269</b>	<b>-64 200</b>
Finance income		8 159	6 004	17 600
Finance costs		5	-2	12 776
<b>Profit or loss before tax from continuing operations</b>		<b>-7 536</b>	<b>-12 263</b>	<b>-59 376</b>
Income tax expense		50	3	-12
<b>Profit or loss for the year from continuing operations</b>		<b>-7 586</b>	<b>-12 266</b>	<b>-59 364</b>
<b>Discontinued operations</b>				
Profit or loss after tax for the year from discontinued operations	5	-323	-7 030	-5 910
<b>Profit or the loss for the year</b>		<b>-7 909</b>	<b>-19 296</b>	<b>-65 274</b>

(Amounts in NOK thousand)	Notes	Quarters		Full Year
		Q1 2024 (unaudited)	Q1 2023 (unaudited)	2023 (audited)
<b>Allocation of profit or loss:</b>				
Profit/loss attributable to the parent		-7 898	-19 296	-65 274
<b>Other comprehensive income:</b>				
Items that subsequently may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations		-189	2 739	1 414
Total items that may be reclassified to profit or loss		-189	2 739	1 414
<b>Total other comprehensive income for the year</b>		<b>-8 088</b>	<b>2 739</b>	<b>1 414</b>
<b>Total comprehensive income for the year</b>		<b>-8 088</b>	<b>-16 557</b>	<b>-63 860</b>
<b>Allocation of total comprehensive income</b>				
Total comprehensive income attributable to owners of the parent		-8 088	-16 557	-63 860

# Consolidated Statement of Financial Position

(Amounts in NOK thousand)	Notes	At 31 March		At 31 December
		2024 (unaudited)	2023 (unaudited)	2023 (audited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	5	-	7 740	-
Property, plant and equipment	5	7 968	20 223	8 044
Right-of-use assets	5	362	2 264	439
<b>Total non-current assets</b>		<b>8 329</b>	<b>30 227</b>	<b>8 484</b>
<b>Current assets</b>				
Inventory		286	133	217
Trade receivables		1 307	2 846	17
Other receivables		4 647	6 644	5 172
Other current financial assets		2	38 903	19 616
Cash and cash equivalents	4	105 125	17 795	100 008
<b>Total current assets</b>		<b>111 367</b>	<b>66 322</b>	<b>125 030</b>
<b>TOTAL ASSETS</b>		<b>119 696</b>	<b>96 548</b>	<b>133 514</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	3	161	124	161
Share premium		322 573	230 849	321 180
Currency translation differences		-269	-158	-80
Retained earnings		-207 041	-144 845	-192 194
<b>Total equity</b>		<b>115 423</b>	<b>85 970</b>	<b>129 067</b>

(Amounts in NOK thousand)	Notes	At 31 March		At 31 December
		2024 (unaudited)	2023 (unaudited)	2023 (audited)
<b>Non-current liabilities</b>				
Non-current lease liabilities		-	1 696	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>1 696</b>	<b>-</b>
<b>Current liabilities</b>				
Current lease liabilities		374	208	464
Trade and other payables		2 166	2 871	1 873
Public duties payable		680	2 795	912
Other current liabilities		1 053	3 008	1 198
<b>Total current liabilities</b>		<b>4 273</b>	<b>8 882</b>	<b>4 448</b>
<b>Total liabilities</b>		<b>4 273</b>	<b>10 578</b>	<b>4 448</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>119 696</b>	<b>96 548</b>	<b>133 514</b>

Sandnes, 22.05.2024



**Knut Nesse**  
Chair



**Marit Røed Ødegaard**  
Board Member



**Maryne Lemvik**  
Board Member



**Geir Hjellvik**  
Board Member



**Ole Kristian Sivertsen**  
Chief Executive Officer



**James Thomas**  
Board Member

# Consolidated Statement of Cash Flows

(Amounts in NOK thousand)	Notes	At 31 March		At 31 December	(Amounts in NOK thousand)	Notes	At 31 March		At 31 December
		2024	2023	2023			2024	2023	2023
		(unaudited)	(unaudited)	(audited)			(unaudited)	(unaudited)	(audited)
<b>Cash flows from operating activities</b>					<b>Cash flow provided by (used in) financing activities (NOK)</b>				
<b>Profit or loss before tax for continued operations</b>		<b>-7 536</b>	<b>-12 263</b>	<b>-59 376</b>	Proceeds from issuance of equity		-	1	85 473
<b>Profit or loss before tax for discontinued operations</b>		<b>-323</b>	<b>-7 030</b>	<b>-5 910</b>	Transaction costs on issue of shares		-	-	-3 608
<i>Adjustments to reconcile profit before tax to net cash flows:</i>					Lease payments		-127	548	-1 146
Depreciation and amortisation and net impairments		1 285	1 906	6 492	Interest paid		-	2	-23
Net financial income/expense		-8 159	-6 004	-4 449	<b>Net cash flows provided by (used in) financing activities</b>		<b>-127</b>	<b>550</b>	<b>80 696</b>
Foreign exchange gains or losses		-	-	3 186	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4 416</b>	<b>-18 849</b>	<b>63 092</b>
Share-based payment expense		1 393	1 915	4 219	Cash and cash equivalents at beginning of the year/period		100 008	36 791	36 791
Derecognition of Goodwill		-	-	7 220	Net foreign exchange difference		701	-147	125
<i>Working capital adjustments:</i>					<b>Cash and cash equivalents, end of period</b>		<b>105 125</b>	<b>17 795</b>	<b>100 008</b>
Changes in accounts receivable and other receivables		-833	1 132	5 802					
Changes in trade payables, duties and social security payables		-61	-282	-3 162					
Changes in other current liabilities and contract liabilities		235	-1 831	-4 236					
<b>Net cash flows from operating activities</b>		<b>-13 997</b>	<b>-22 455</b>	<b>-50 214</b>					
<b>Cash flows provided by (used in) investing activities (NOK)</b>									
Capital expenditures and investments		-1 073	-346	-691					
Sale (Purchase) of financial instruments		19 613	2 514	22 346					
Proceeds from sale of property, plant and equipment		-	801	10 556					
Interest received		-	88	398					
<b>Net cash flow provided by (used in) investing activities</b>		<b>3 886</b>	<b>3 056</b>	<b>32 610</b>					

# Discontinued Operations (Middle East)

## Middle East Operations Update

During 2023, Desert Control Middle East LLC completed the sale of its UAE production entity, transferring LNC production licenses and assets to Mawarid Holding Investment LLC and Holistic Earth Advanced Regeneration Technologies SA. This strategic exit from the Middle East resulted in the classification of these operations as discontinued.

By the end of 2023, all assets previously held for sale were disposed of. As of Q1 2024, there have been no material changes or additional transactions related to these discontinued operations. The results from these operations for prior periods are reported as a single line item to ensure comparability and transparency.

Desert Control continues to manage any remaining obligations, which are expected to be resolved by the final liquidation of Desert Control Middle East LLC in 2024. Any significant subsequent events will be disclosed as necessary.

### Net result for discontinues operations as of 31 March 2024

(Amounts in NOK thousand, unaudited)	Notes	Quarters		Full Year
		Q1 2024	Q1 2023	2023
Revenue from sales	2	-0	48	48
Other income		5	506	16 697
<b>Total income from discontinued operations</b>		<b>5</b>	<b>554</b>	<b>16 746</b>
Cost of goods sold (COGS)		156	392	353
<b>Gross margin from discontinued operations</b>		<b>-151</b>	<b>162</b>	<b>16 393</b>
Salary and employee benefit expenses		-	4 032	10 398
Other operating expenses		172	2 114	6 016
Depreciation and amortisation		-	1 044	2 318
Impairment		-	-	-
<b>Operating profit or loss from discontinued operations</b>		<b>-323</b>	<b>-7 028</b>	<b>-2 339</b>
Finance income*		-	-	-
Finance costs		-	1 579	3 571
<b>Profit or loss before tax from discontinued operations</b>		<b>-323</b>	<b>-8 606</b>	<b>-5 910</b>
Income tax expense		-	-	-
<b>Profit or loss for the year from discontinued operations</b>		<b>-323</b>	<b>-8 606</b>	<b>-5 910</b>



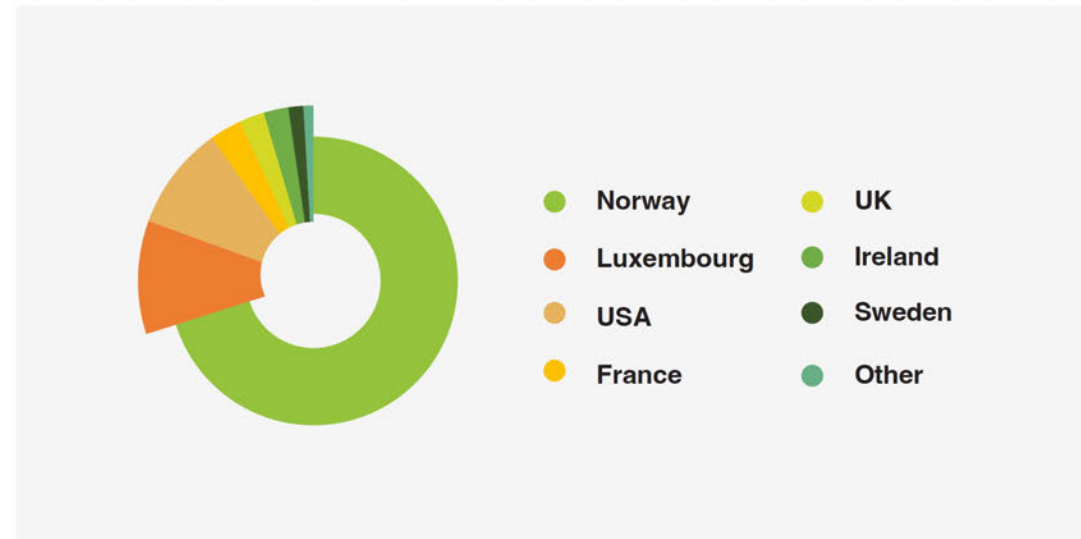
# DSRT Shareholders

## The Group's shareholders:

Shareholders in Desert Control AS at 31.03.2024	Total shares	Ownership/ Voting rights
OLESEN CONSULT HVAC AS	5 900 000	11,0%
Woods End Interests LLC	4 844 444	9,0%
NORDNET LIVSFORSIKRING AS	2 305 762	4,3%
DNB BANK ASA	1 954 077	3,6%
J.P. Morgan SE	1 808 533	3,4%
LITHINON AS	1 720 002	3,2%
J.P. Morgan SE	1 714 379	3,2%
OLESEN	1 630 685	3,0%
LIN AS	1 502 275	2,8%
GLOMAR AS	1 368 456	2,6%
NESSE & CO AS	1 360 000	2,5%
BNP Paribas	1 300 000	2,4%
CLEARSTREAM BANKING S.A.	1 242 476	2,3%
JAKOB HATTELAND HOLDING AS	1 222 222	2,3%
Citibank	1 100 000	2,1%
OKS CONSULTING AS	1 050 000	2,0%
The Northern Trust Comp	958 275	1,8%
SORTUN INVEST AS	949 937	1,8%
IDLAND	888 700	1,7%
SUNDVOLDEN HOLDING AS	579 431	1,1%
Others	18 228 323	34,0 %
<b>Total</b>	<b>53 627 977</b>	<b>100,0 %</b>

## Origin of shareholders

Country of Origin	No of shares	%	# shareholders
Norway	37 596 658	70,1%	3 434
Luxembourg	5 603 682	10,4%	7
USA	5 150 882	9,6%	9
France	1 589 698	3,0%	5
UK	1 235 365	2,3%	7
Ireland	1 221 398	2,3%	11
Sweden	740 979	1,4%	15
Others	489 315	0,9%	29
<b>Grand Total</b>	<b>53 627 977</b>	<b>100%</b>	<b>3 517</b>



Q1 2024  
**AGENDA**

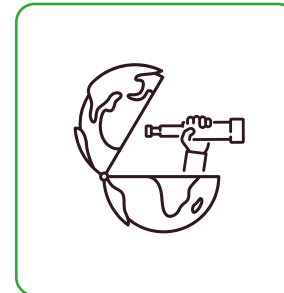
## COMPANY UPDATE PRESENTATION



Highlights



Financials



**Outlook**



Questions  
and answers

# OUTLOOK

## UNITED STATES

- Aim to complete installations of secured projects and continue signing further pilots in both agriculture and landscaping
- **Agriculture Objectives:**
  - ✓ Pilots set to continue providing significant learning and development (R&D) value to further enhance benefits, scalability, and efficiency with modest revenue impact
  - ✓ Develop pipeline for 2nd-phase expansions in 2025 and large-scale agricultural deployments in 2026 and beyond
- **Landscaping Objectives:**
  - ✓ Expect substantial headway during the year, focused on high water users (golf courses) in areas with high water costs
  - ✓ Next stage-2 golf deployment and several new pilots targeted for installation with initial results expected in H2-2024
  - ✓ Target to secure more notable contracts from the end of the year, with a growing number of larger deployments in 2025
- **Keep growing our client base of raving fans!**

## MIDDLE EAST

- Anticipating significant growth in momentum backed by new partnerships and years of building scientific and government support
- **Objectives for 2024:**
  - ✓ Completion of the first partner-driven commercial roll-out in the coming months, and development of a steady growth of similar projects (H2 licensing revenue)
  - ✓ A growing number of strategic pilots and demonstration projects are in development, with several new targeted for installation
  - ✓ Expecting a transition from pilot-type deployments to strategic contracts for broader adoption towards end of the year
- **Additional drivers set to accelerate demand for soil and water conservation solutions**
  - ✓ Water tariffs are on the rise (many sectors started paying for water from Q1-2024)
  - ✓ Solid customer references turning into LNC ambassadors increase positive awareness
  - ✓ Significant government investments with mega projects in Saudi Arabia, Egypt, and other MENA countries are moving forward

## INNOVATION

- **LNC Production and Application**
  - ✓ Continue driving advancements in production and application efficiency
  - ✓ Expanding the versatility of LNC application to all relevant irrigation systems and fields
- **Continue and expand independent validation and University collaborations**
  - ✓ Mid-term report in the 5-year study with the University of Arizona anticipated end of Q2
  - ✓ Independent agriculture validation program targets expansion to document impact on fertilizer leaching and soil salinization
  - ✓ Independent validation for golf and turf launching in collaboration with the University of California Riverside
- **R&D Priorities**
  - ✓ Research on organic additives synergizing with LNC to improve broader soil health
  - ✓ Enhance LNC's ability to reduce fertilizer leaching, lower soil salinization, and increase yields (beyond water savings)
  - ✓ Increase Value and Expand Market Reach

Q1 2024  
**AGENDA**

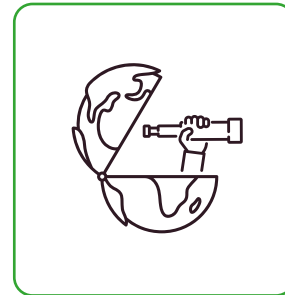
## COMPANY UPDATE PRESENTATION



Highlights



Financials



Outlook



**Questions  
and answers**

# Cautionary note

## FORWARD-LOOKING STATEMENTS

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 concerning 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.

Q1 2024

The information enclosed is subject to the disclosure requirements pursuant to sections 5-12 in the Norwegian Securities Trading Act.



**Thank you  
for your  
attention!**

