2022

Annual Report

DESERT CONTROL

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CEO message

As we reflect on the past year, it's clear that the world has once again faced unprecedented challenges. From the ongoing pandemic to geopolitical instability and a worsening global food crisis, 2022 has tested our resolve and ability to adapt like never before.

Despite the obstacles the world has faced, we have demonstrated remarkable resilience and progress in an unstable world. We initiated a new strategy for the sales and distribution of LNC in the Middle East through a partnership with Mawarid and launched the expansion of Desert Control to the United States. The first LNC deployment on American soil took place in March at the University of Arizona in Yuma, leading to accelerated commercialization with Limoneira Company as the first adopter in the U.S. agribusiness sector. The MoU entered with Amarenco Group in September further underscores a growing demand for solutions to combat drought, regenerate soil, and conserve water also in Southern Europe and other regions with sandy soil as a future potential.

The ability to adapt has proven even more valuable in an unstable world. During the past year, we strengthened our leadership team to drive the transition of commercialization. We demonstrated agility by deploying LNC production capacity from the UAE to the United States and confirmed the global mobility of our assets. And we made substantial progress on field deployment with Limoneira as our first commercial pre-project of a larger scale.

Desert Control enters 2023 with several commercial inflection points on the horizon. The company operates in a global market with significant tailwinds from government initiatives and strong macro-drivers accelerating demand in multiple regions. To strengthen the company's strategic ability to develop multiple market opportunities and secure funding to pursue growth strategies, the company has initiated a strategic review in the new year. With the support of its financial advisors, the company aims to explore a broad range of strategic alternatives, including financing, structural and business development opportunities.

Looking ahead, we recognize that the challenges facing our planet are significant, and we remain confident in the potential of LNC as a solution to several of these by combating desertification, soil degradation, and water scarcity in sandy soil environments, further confirmed by the positive results from LNC deployments during the past year.

We are grateful for all our existing stakeholders' support through 2022. We look forward to continuing our journey together and welcoming new stakeholders to join our mission of making earth green again.

Ole Kristian Sivertsen
President and Group CEO
Desert Control

2022 Highlights

- Expanded operations to the United States, established operational headquarters in Arizona and started building a sales team for accelerated commercialization.
- Launched collaboration with the University of Arizona for independent validation of LNC for American soil and achieved positive first-year results.
- Signed contract with Limoneira Company for LNC application on 4,000 citrus trees with a letter of intent for large-scale LNC deployment based on the successful outcome. (50% of the project successfully completed as of the end of 2022).
- Initiated a new strategy for the sales and distribution of LNC in the Middle East through a partnership with Mawarid Holding Investment.
- Established Mawarid Desert Control LLC for sales and distribution of LNC in the UAE.
- Mawarid Desert Control turned operational in Q4 and secured its first contract for a strategic commercial pilot with a significant UAE food security company.
- Streamlined Desert Control Middle East in alignment with the new sales strategy for increased efficiency with lower operational costs for Desert Control in the UAE.
- Signed MoU with Amarenco Group for soil and forest regeneration CSR initiative, creating opportunities for future projects in Southern Europe.
- Achieved exceptional full-year results for LNC treatment of date palms, reducing water usage by 46% while increasing yield and fruit quality.
- Improved scale-on-demand model with global mobility of assets for optimal agility.
- Strengthened leadership team to drive the transition of commercialization.

8% ▲
increasing yield

46% ▼
water usage reduce

Financial key figures

Financial highlights for the financial year 2022

[2021 in brackets]

- Total cash balance 31.12.22 (incl. other current financial assets): NOK 78.2M [NOK 179.3M]
- Equity 31.12.2022: NOK 107.0M (equity ratio: 89 %)
- Revenue: NOK 4.2M [NOK 3.1M]
- EBITDA: NOK -90.2M [NOK -31.7]
- Profit or loss for the year: NOK -90.5M [NOK -31.7]
- Gross R&D investments NOK 1.4M [NOK 11M]
- Grants NOK 2.3M [NOK 8.7M]

89%
Equity ratio

78.2M
Total cash balance 31.12.22 NOK

Company presentation

WHO WE ARE

Desert Control is a company with global aspirations specializing in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Our 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.

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%. The patented LNC technology builds on 12 years of research and field testing and is validated by independent organizations.

Desert Control's business model is service-based, where users can order soil treatments for land areas and specific vegetation, trees, and agricultural crops. LNC is made using mobile production units and clusters transported to the user's location for on-site production and application of LNC. The company typically charges a treatment cost per hectare plus a fixed fee per tree. In addition to LNC treatment, the company will offer digital subscription services for field monitoring, ensuring good soil health and optimized irrigation scheduling. The LNC treatment is estimated to last 3-5 years, after which a top-up treatment may be required for maintenance.

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.

More than 110 countries worldwide suffer accelerating loss of fertile soil and water scarcity. According to the United Nations, twelve million hectares of fertile land perish to desertification, representing an annual $490 billion loss to the global economy. This is the problem Desert Control is determined to solve. We aspire to create global impact by enabling our innovation to scale exponentially, inspired by the vision of making earth green again.

WHAT WE DO

Land and soil degradation – one of the greatest threats of our time

Climate change and global warming degrade land, cause deserts to spread, and temperatures to rise in a vicious cycle. Land and soil degradation cripples terrestrial ecosystems crucial for biodiversity, CO2 uptake, and nature's fragile balance vital for all life on earth.

Twelve million hectares of productive land perish annually due to droughts and soil degradation. Growing water scarcity magnifies the challenge of combating this dilemma. Nature alone lacks the resilience to endure continued overexploitation and the impacts of climate change. Disrupting current trends by restoring ecosystems and fostering sustainable use of scarce resources is crucial for the prosperity of nature, people and planet.

A solution to make earth green again

Desert Control specializes in reclaiming desert and degraded land by improving the productivity of sandy soils. Our patented Liquid Natural Clay (LNC) is a compound of natural materials and water proven to enhance sandy soils by reducing salinity and improving hygroscopic properties (ability to absorb and retain water and nutrients). Research by ICBA (International Center for Biosaline Agriculture) documents increased yields while using up to 50% less water for irrigation.

Restoring unproductive land and making deserts farmable can take 7-15 years. Soil treated with LNC can be planted within 7 hours, and one treatment lasts for 3-5 years. The revitalized soil facilitates sustainable land usage and climate-smart agriculture while strengthening the ecosystem's resilience to overexploitation and climate change.

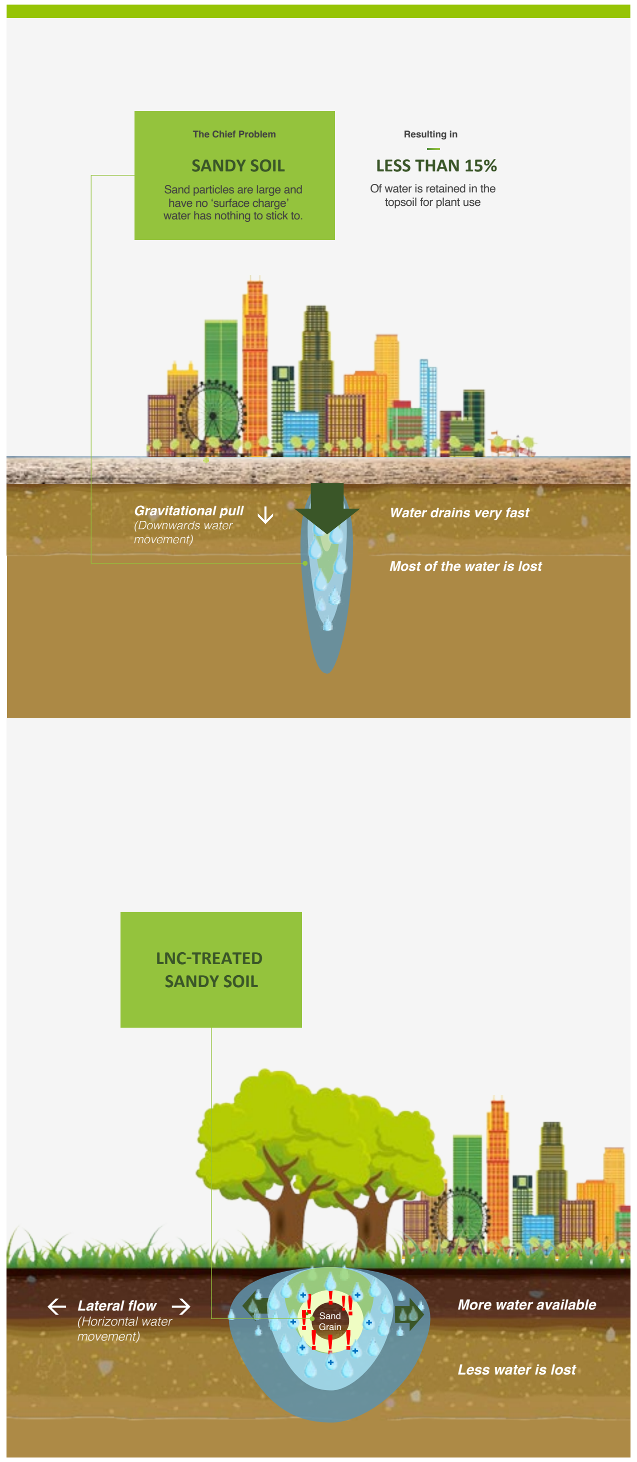
How it works: Spray, save and grow

1. Formulation and nano-processing of clay and water into a liquid compound tailor-made based on specific parameters such as soil/sand, water, and crop variables.
2. LNC is applied to sand or arid sandy soil using established irrigation methods. (LNC can even be applied through sprinkler and drip irrigation systems)
3. The LNC percolates into the soil by the force of gravity, forming a natural bond between sand particles.
4. When the LNC bonds with sand particles, a soil texture that increases water-holding capacity is created.

   Example: Shaping desert sand into a ball with your hands is futile; the sand will flow through your fingers without taking shape. LNC gives the sand a formable soil texture so it can be shaped like the darker, rich, and more fertile soil types.

   Without LNC, water and nutrients merely flow straight through sand or arid soil and is lost; leaving plants, root systems, and fungus unable to make use of them. LNC enables the soil to retain water like a sponge and fosters perfect conditions for growth, even in desert sand.
5. 5. Seeds can be sown within 7 hours of an LNC application; allowing plants to grow even in areas previously unfeasible for them to survive.

LNC enriches sandy soils with traits comparable to high-quality farming soils. LNC is a mineral-based, entirely natural combination of clay and water (without any chemicals), ready for organic use.



The time to act is now

- Annual land lost to desertification and drought could produce 20 million tons of grain yearly. Global food production must increase by 70% by 2050 to feed the growing world population.
- By 2025, 1.8 billion people will experience absolute water scarcity, and 2/3 of the world will live under water-stressed conditions.
- Restoring the soils of degraded ecosystems has the potential to sequester up to 6 billion tons of CO2 annually.

We must make Earth green again, and the time to act is now!

OUR MARKET

The market for Liquid Natural Clay (LNC) is global and encompasses a variety of segments. More than 110 countries worldwide suffer desertification, accelerating loss of fertile soil, and water scarcity. Desert Control is initially focused on two segments; **agriculture** and **landscaping** – and two geographic markets; the United Arab Emirates and the United States.

UNITED ARAB EMIRATES

Desert Control has been active in the United Arab Emirates (UAE) since 2018 for independent technology validation. The UAE was the market of choice for validation and initial product launch, primarily due to its strategic location in the MENA region, limited arable land and available water resources. The UAE is further one of the countries contributing the most to ESG initiatives worldwide and is the world's top donor of development aid. Within agriculture, the UAE has approximately 38.000 farms, of which 60% are private farms ranging from 1 to 10 hectares in size. Further, with the increasing focus on food security by the UAE government, continued growth is expected in the UAE agriculture sector. Utilizing already scarce water resources will be critical to scaling up domestic agriculture to support national food security strategies.

UNITED STATES

Desert Control Americas Inc was established in the United States to focus on the Sun Belt stretching from California through Arizona, Nevada, New Mexico, and Texas. These are states where sandy soils dominate and agriculture proliferates. 92% of all farmlands in the region are irrigated, accounting for 79% of all water withdrawals. Our operational headquarter for the U.S. is based in Arizona, with strategic reach across the target region.

30% of all land in the United States is considered arid or semi-arid, and 40% of the continental United States is at risk of desertification. Since farmers began tilling the land in the Midwest, more than 50 billion metric tons of topsoil is estimated to have eroded. Degraded soil makes growing food more difficult and expensive. Without healthy soil, farmers won't be able to grow nutrient-dense food to feed our growing population. The calculated soil loss in the region is part of a critical issue; some experts suspect that usable topsoil may be completely depleted within 60 years.

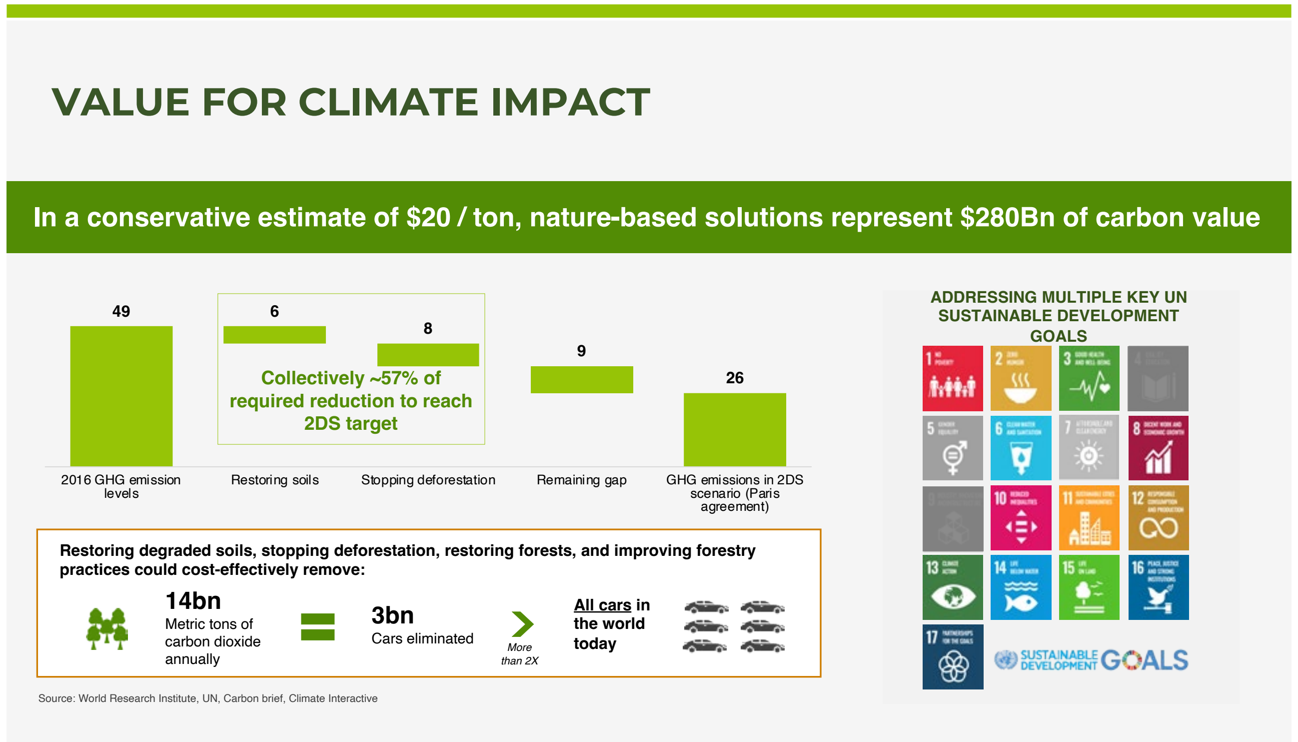
Droughts and increasing water scarcity further add to the challenge in the U.S. The Ogallala Aquifer (one of the world's largest aquifers) has annual withdrawals equivalent to 18 Colorado River basins and is expected to be 70% depleted in less than 50 years.

HOW WE CREATE VALUE

Desert Control's offering has a strong value proposition for many potential users. Agriculture and landscape users of LNC will benefit from cost savings on water and fertilizer, with agriculture enjoying further benefits from increased crop yields. Property values are also expected to increase if surrounded by fertile soil as opposed to barren and degraded land. In addition, several areas are introducing water regulations and restrictions, which may force operators such as sports fields, parks, and resorts to shut down unless meeting the applicable requirements.
Our value creation aligns with the principles of climate-smart agriculture:

- Restore: Mitigation of damages caused and reclaiming degraded land
- Protect: Adaptation of ecosystems to build resilience to climate change
- Improve: Prosperity and sustainability enhancement by lowering the consumption of inputs and increasing yields (improving profitability for farmers and growers)

LNC is further expected to play a vital role in sustainable development.

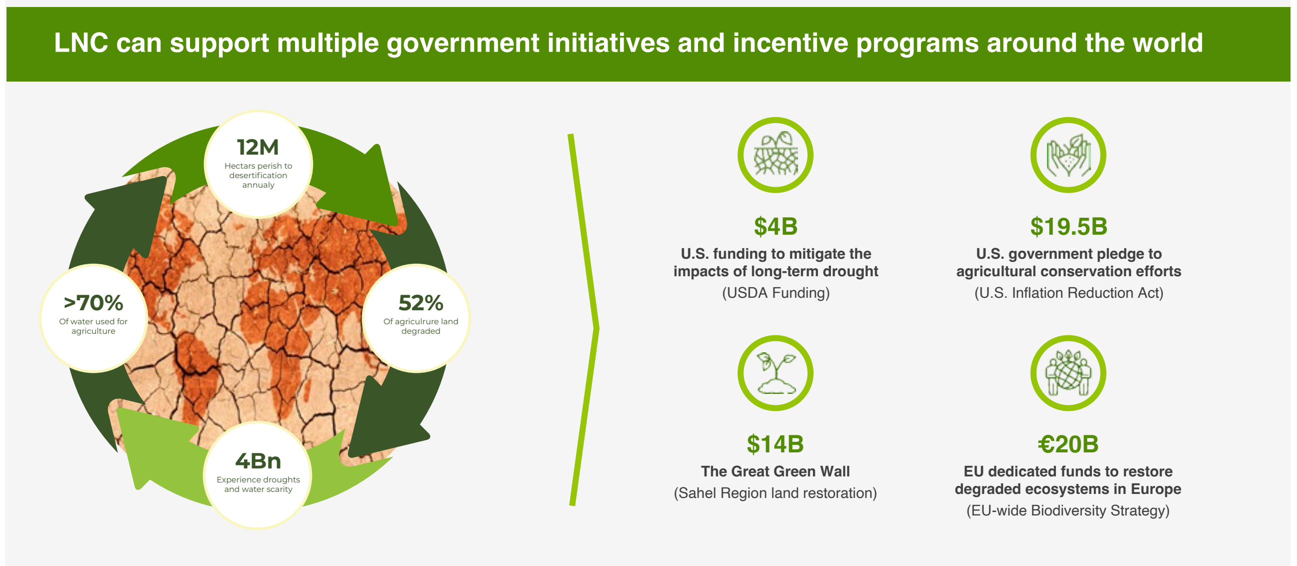


MEGATRENDS

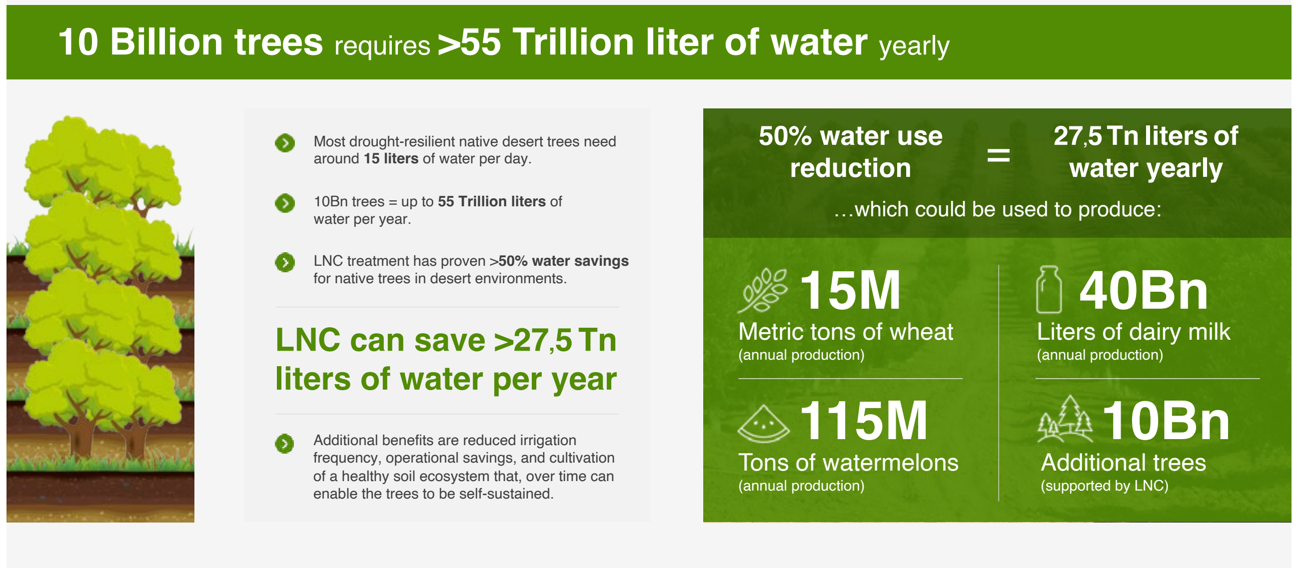
Desertification and degradation of topsoil is a global problem, and the United Nations has declared it one of the greatest challenges of our time. 110 countries are exposed to desertification and land degradation, and over 1.3 billion people are trapped on degrading agricultural land. 20% of the earth's drylands are degraded. It is estimated that 12 million hectares of productive land turn barren every year, representing a $490 billion annual loss to the global economy.

Desertification drives an accelerating need for more water to support agricultural activities. Due to the growing global population (estimated to be 10.9 billion in 2100), we will need to produce 60-70% more food, which will require 50% more water by 2050. Agriculture already accounts for ~70% of water withdrawals worldwide, and as more soil turns to sand, we will need even more water.

DRIVERS



THE VALUE OF WATER



The main obstacle for the world in coping with this growing demand is that access to water has become increasingly difficult. Water scarcity will become an even bigger problem as the world combats global warming. It is estimated water shortage will reach 40% by 2030, with 1/3 of the world's population living in areas where the deficit is more than 50%. It is estimated that 1.8 billion people will experience absolute water scarcity by 2025.

Reducing water consumption and safeguarding soil and fertile land will be vital for creating a sustainable planet with resilience for the future.

OUR STRATEGY

Think Big:

"Think Big" reminds the team to always keep in mind the bigger picture and how their work connects to the overall mission.

Start Small:

"Start Small" encourages the team to focus on a narrow scope to ensure a solid foundation before expanding.

Act Fast:

"Act Fast" promotes a sense of urgency and quick decision-making, which is important in a rapidly changing world.

Design to scale exponentially:

"Design to Scale Exponentially" emphasizes the need for scalable solutions to address the urgent issue of climate change.

Keep it simple:

"Keep it Simple" highlights the importance of simplicity in achieving exponential scalability, which allows Desert Control to be efficient and cost-effective in its operations while still preparing for the next steps and future growth.

HISTORY AND IMPORTANT EVENTS

2017

- Desert Control AS was founded in June 2017
- Awarded Global Innovator by EXPO 2020

2018

- Awarded EXPO 2020 Innovation grant
- First ICBA validation started

2019

- Knut Nesse appointed as Chairman of the Board
- Ole Kristian Sivertsen appointed as CEO
- First ICBA validation completed
- Desert Control Middle East acquired

2020

- Closes MNOK 42 seed round
- The company has 3 employees
- ICBA validation for the agriculture segment initiated
- First industrial prototype of the LNC production unit initiated
- Abu Dhabi entity established
- ICBA validation for the agriculture segment completed

2021

- First industrial prototype of the LNC production unit completed
- The company has 6 employees
- Innovation Norway grant of MNOK 11.9 awarded
- Closes MNOK 200 private placement
- Desert Control listed on Euronext Growth, Oslo Stock Exchange (DSRT)
- Entered MOU for strategic partnership with Mawarid Holding Investment in Abu Dhabi
- Second industrial prototype of the LNC production unit completed
- Awarded first commercial contract for Mawarid Holding Investment pilot project at MNOK 3.4
- Third and fourth LNC production units completed (completing the first prototype cluster of 4 units)
- Established R&D center and innovation lab in Norway
- Established Desert Control Americas Inc. in the United States
- First two industrial clusters for LNC production completed (8 units)
- Concluded strategic partnership agreement with Mawarid Holding Investment
- The company has 51 employees

2022

- Completed incorporation of the sales and distribution company Mawarid Desert Control LLC to start the commercialization of LNC in the UAE
- Developed a new prototype LNC production unit for pilot projects in the U.S.
- Completed the first deployment of LNC on American soil for a field study in collaboration with the University of Arizona
- The first commercial deliveries commenced in the UAE
- Desert Control's first Dubai-based customer pilot converted into a paid delivery
- The operational U.S. headquarter was established in central Arizona, strategically positioned to serve the initial target market in the U.S.
- Successfully deployed prototype to accelerate large-scale open field LNC application.
- Finalization of the third LNC production cluster
- Signing contract with Limoneira Company for LNC application for 4,000 citrus
- MoU with Amarenco Group for soil and forest regeneration CSR initiative creates opportunities for future projects in Southern Europe.
- Successful completion of first commercial projects in the US

2023

Year in review

AHEAD OF EXPECTATIONS IN THE US

Desert Control Americas Inc. was established in the fourth quarter of 2021, followed by establishing its sales office and operational base in Yuma, Arizona, in 2022. The business is located strategically positioned to serve the initial target market on the Sun Belt stretching from California through Arizona, Nevada, New Mexico and Texas.

Desert Control's progress in the U.S. progressed faster than first anticipated. In the UAE, it took nearly four years of independent academic validation and pilots before commercial deliveries and market adoption of LNC started. The company's U.S. operation began in March 2022 with the first academic validation study for LNC on American soil with the University of Arizona, and in less than a year, the first strategic contract was signed with a flagship customer.

The first commercial agreement in the U.S. was signed in November following the successful pilot for 50 trees in July 2022. The project's initial scope, valued at NOK 1,8 Million, was to apply Liquid Natural Clay (LNC) for 2,000 citrus trees in Limoneira farms in Cadiz, California, and 2,000 citrus trees in Yuma, Arizona. The combined area covers 40 acres of land. The contract is further backed by a letter of intent (LOI) to expand LNC deployment to full-scale rollouts for Limoneira ranches starting by Cadiz in the Mohave desert.

Limoneira's objective is to adopt LNC to enable climate-smart and resilient agribusiness with optimal usage of water, fertilizers, and natural resources while optimizing yields and quality of citrus production in desert environments.

The application of LNC was completed for the project's first phase, and 2,000 trees were treated in Cadiz, California, in December 2022. Monitoring equipment was installed to measure key indicators during the growing season. Valuable knowledge and experience were gained to further improve efficiency for deploying the remaining 20 acres in Yuma, Arizona, in January 2023.

Based on the successful outcome of these pre-projects, it is anticipated that a larger-scale roll-out for Limoneira ranches could start ultimo Q4 2023 for the Cadiz ranch, with 640 acres of land and approximately 70,000 citrus trees under cultivation. The broader opportunity includes the Yuma ranch of 1,300 acres with approx. 120,000 trees and other applicable agribusiness operations of Limoneira.

POSITIVE RESULTS FROM ACADEMIC COLLABORATION AND PILOTS

On 10 March 2022, the first deployment of LNC on American soil was conducted for a field study in collaboration with the University of Arizona. The study focused on LNC's ability to increase water holding capacity for sandy soils and considered the transferability of LNC results achieved in the UAE. The 1-acre plot for the validation study was transformed from a barren desert state to cultivated land, and bell peppers and watermelons were planted. Indications from this first phase of the validation showed positive potential for reduced irrigation frequency, increased lateral movement of water in the soil profile, promising potential for fertilizer savings, and reduction in mortality rates of seedlings.

The second phase was initiated in was initiated early September and is

extended to new crops with romaine lettuce and celery, both high-value cash crops for Yuma agriculture. The romaine was harvested in December, showing that the lettuce grown in LNC-treated plots was significantly healthier under high water stress and had a more extensive vegetative canopy compared to control plots. Yield values for LNC plots were 21% to 53.5% higher than control plots.

In the UAE, a project for LNC impact on date palm cultivation in partnership with Mawarid, started in 2021, was fully harvested in September 2022. The full-year impact demonstrated reduced water usage by 46% (compared to optimized irrigation). Yields increased by 8%, and fruit quality (grade A) increased by 21%. Improved crop quality is driven by less wash-out of nutrients and better soil health.

STREAMLINED ORGANIZATION WITH JV PARTNERSHIP

Desert Control initiated a new strategy for the sales and distribution of LNC in the Middle East in 2021 by entering a partnership with Mawarid Holding Investment (MHI) and the establishment of the joint venture Mawarid Desert Control (MDC). Desert Control Middle East LLC in Abu Dhabi will operate Desert Control's mobile fleet of clusters to produce and deliver LNC to Mawarid Desert Control LLC on commercial terms. The sales and distribution company was awarded its business license on 29 March 2022. Hiring activities to build the Mawarid Desert Control salesforce kicked off at the end of June and the new salespeople were onboarded during the third quarter. To further streamline the new go-to-market model, other roles and responsibilities related to sales and project delivery (field application of LNC) was transferred from Desert Control Middle East to Mawarid Desert Control.

With the new indirect business model, Desert Control Middle East LLC has restructured into a manufacturing company focused on the production of LNC to be distributed to the market through Mawarid Desert Control. The restructuring effectively lowers Desert Control's operational cost for the Middle East by more than 50%.

The process of establishing Mawarid Desert Control and ensuring operational readiness has taken longer than expected. After receiving

its business license in March 2022, the holy month of Ramadan postponed further incorporation and readiness activities to mid-May. Following this, Desert Control supported the joint venture in getting the formalities in place to operate. The company anticipates long-term benefits of the indirect sales model for the UAE to offset the short-term impact.

TRANSITION TOWARD COMMERCIALIZATION IN THE UAE

Desert Control entered the commercialization phase in the UAE, with the first commercial deliveries of LNC to clients commencing end of June. The deliveries targeted smaller-scale projects with clients in both agriculture and landscaping. Projects were of smaller scale and not material from a financial perspective. The continued commercialization was delayed by the shift in business model and the prolonged process of establishing the sales and distribution entity.

Although it has taken significant time to establish the J.V., the parties passed critical milestones to operationalize the new entity during the second half of 2022. The financial infrastructure, including bank accounts, critical systems, and governance, was implemented, and the company was, per end of 2022, operationally able to hire personnel.

The first Mawarid Desert Control (MDC) driven commercial pre-project was successfully completed in the end of 2022. The project is with a strategic UAE food security company that aims to adopt LNC on farms with various crops, soil, and water conditions across the UAE. The initial

scope was the deployment of LNC for the company's experimental farm and R&D facility, intending to develop a concept for larger-scale implementation.

GLOBAL MOBILITY OF ASSETS

A compact trailer-based LNC production unit was finalized in early March to serve validation studies and pilots in the United States. This was the first LNC unit assembled in the U.S., and it immediately went into production for the project with the University of Arizona in Yuma. This collaboration with the University of Arizona, and the continuing impact of severe droughts and increasing water restrictions enforced by the U.S. government, lead to increased awareness of LNC and Desert Control in the U.S. To prepare for the demand, two units were deployed from the UAE to the United States during the first half of 2022.

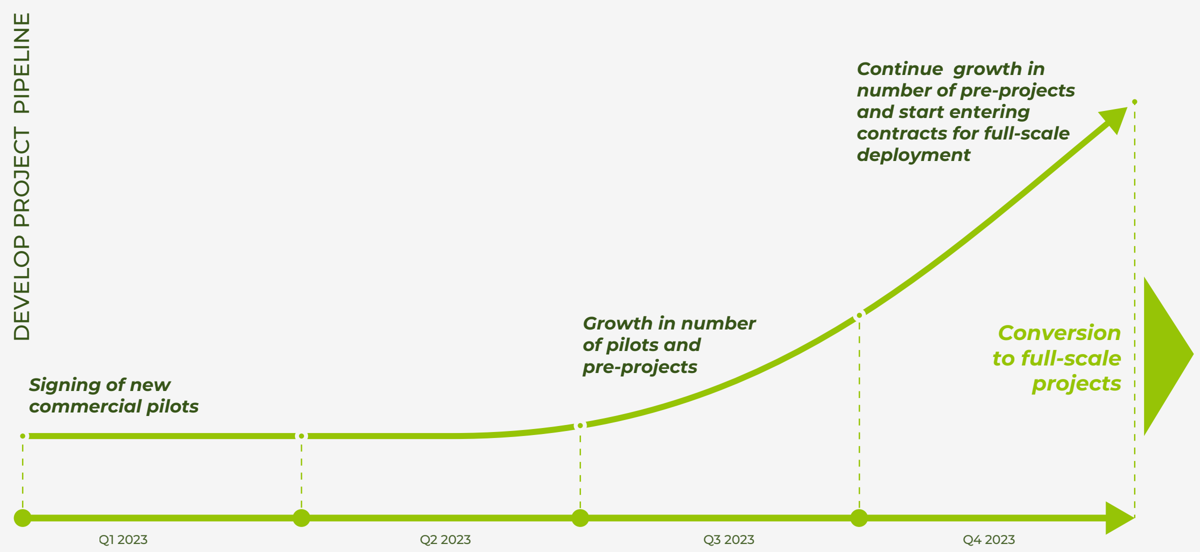
ENTERED INTO MOU WITH AMARENCO GROUP

Desert Control signed a Memorandum of Understanding (MoU) for LNC to become part of Amarenco Group's ECHO Pledge initiative to regenerate soil, land, nature and biodiversity proactively. The agreement was signed on 15 November 2022, and Amarenco aims to restore 5,000 hectares of land over the first five years of the pledge program.

Amarenco is an independent energy producer based on solar and photovoltaic infrastructure and projects. The ECHO pledge is an initiative to proactively offset its energy production facilities by investing in soil regeneration programs to foster biodiversity and a positive footprint for future generations. Desert Control will supply LNC for Amarenco initiatives in strategic locations aligned with strategic objectives from both sides. The MoU outlines commonly targeted territories affected by drought, water scarcity, desertification, and land degradation. For Desert Control, the partnership can build a foundation to obtain a strategic position to grow into Southern Europe.

Ole Kristian Sivertsen, President and Group CEO of Desert Control, said: "Amarenco and Desert Control share the mission to combat desertification and soil degradation. Amarenco will identify soil regeneration opportunities within the Amarenco Pledge, and Desert Control will support feasibility studies and provide LNC to achieve the program's objectives. Our vision of Making Earth Green Again is a solid driver for our partnership."

OUTLOOK



THE DSRT SHARE

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2022	Total shares	Ownership/ Voting rights
Olesen Consult HVAC AS	5 900 000	14,4 %
J.P. Morgan SE	2 605 802	6,3 %
Ole Morten Olesen	1 650 000	4,0 %
Nordnet Livsforsikring AS	1 553 658	3,8 %
JPMorgan Chase Bank, N.A., London	1 516 166	3,7 %
Lithinon AS	1 423 706	3,5 %
Nesse & Co AS	1 360 000	3,3 %
Beyond Centauri AS	1 243 371	3,0 %
LIN AS	1 215 275	3,0 %
Monsunen Forvaltning AS	1 146 158	2,8 %
Idland	1 122 540	2,7 %
Jakob Hatteland Holding AS	1 000 000	2,4 %
DNB BANK ASA	993 659	2,4 %
The Northern Trust Comp, London Br	958 275	2,3 %
Investore Finans AS	883 147	2,1 %
Clearstream Banking S.A.	838 396	2,0 %
OKS Consulting AS	805 000	2,0 %
Sortun Invest AS	677 715	1,6 %
Glomar AS	627 715	1,5 %
Others	13 579 097	33,0 %
Total	**41 099 680**	**100,0 %**

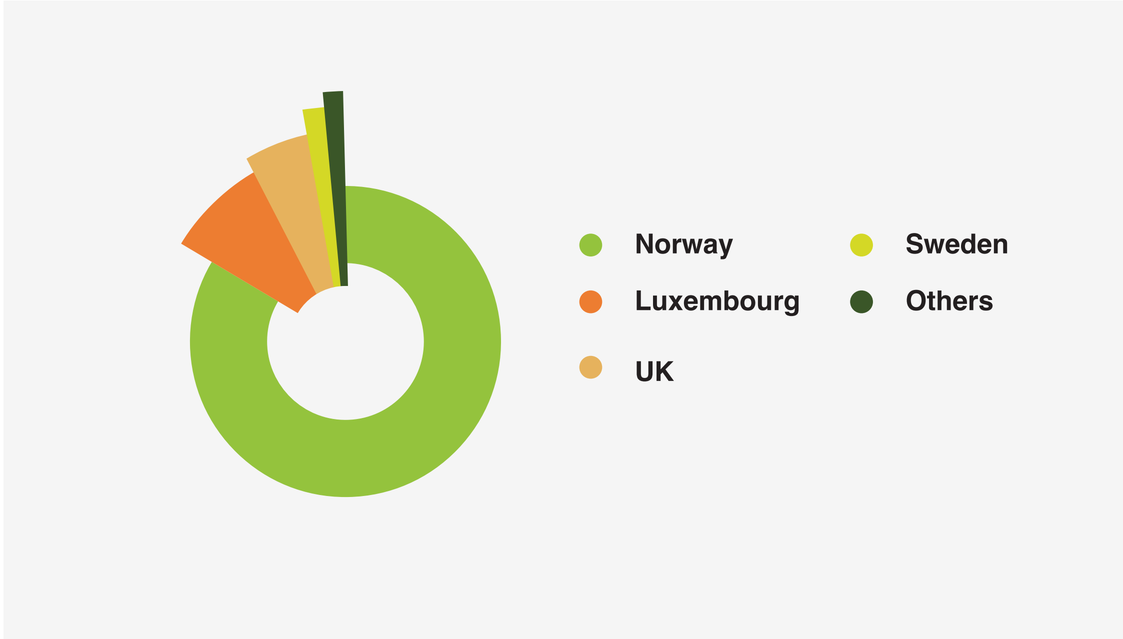
Origin of shareholders

No of shares	%	Origin	# shareholders
33 592 531	81,7	Norway	3 756
3 711 167	9	Luxembourg	9
2 600 430	6,3	UK	11
564 456	1,4	Sweden	18
631 095	1,5	Others	54
41 099 679	100	Total	3 848

Share development

DSRT
EURONEXT GROWTH

Largest countries



Board of Directors

Knut Nesse
Chair

Seasoned international top executive. Developed >€6 billion global businesses. Food industry, nutrition and aquafeed sector.

Kristian P. Olesen
Board Member

Inventor and co-founder. HVAC Engineer, oil & gas sector experience. Relentless problem-solver.

Brage W. Johansen
Board Member

Serial-entrepreneur and co-founder of i.e.; Zaptec, Desert Control, Heimdall Power. Innovation, start-up and scale-up focus.

Marit Røed Ødegaard
Board Member

International executive and board member Hydro Agri, Yara International, Kverneland. >30 years of agriculture/AgTech experience.

Geir Hjellvik
Board Member

Private Investor. Successful startup and exit with Revus. Investments, financing and financial risk management.

Maryne Lemvik
Board Member

International top executive with more than 25 years of leadership experience across various process industries.
Passion for capturing business opportunities, leading people and driving improvements.

Report from the Board of Directors

NATURE OF THE BUSINESS

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity for sandy soil regions. Its patented Liquid Natural Clay restores and protects soil, reducing water usage for agriculture, forests, and green landscapes.

Liquid Natural Clay (LNC) enables sandy soil to retain water and nutrients. LNC increases crop yields while reducing water and fertilizer consumption by up to 50%.

Desert Control's business model is service-based and targets turnkey projects for LNC treatment of sandy soil land areas for various vegetation, crops, plants, and trees. LNC is produced on-site at customer locations using mobile factories. Further, the LNC is applied across the customer's land areas using existing irrigation systems and techniques. LNC is sprayed or applied directly onto the surface and percolates into the ground forming a soil structure that retains water and nutrient like a sponge. One LNC treatment may last 3-5 years, followed by periodic top-ups to maintain the optimal ability to retain water and nutrients. The Company's revenue model is turn-key project deliveries direct (B2B) to customers within the segments of agriculture, forestry, and landscaping. Project pricing considers the size of land, type of vegetation, crops, and number of trees. Additional revenue sources may come from (1) periodic maintenance and (2) digital subscription services related to soil health monitoring, water management optimization, and digital farming services for precision agriculture and sustainable land management.
Desert Control AS is listed at Euronext Growth, Oslo, with ticker DSRT. It is incorporated under the laws of Norway. The Group headquarter is in Sandnes, Norway. The Group has active subsidiaries in Abu Dhabi, the United Arab Emirates, and Arizona/Delaware, USA. The Abu Dhabi company has a branch in Dubai, UAE.

Desert Control's ambition is to develop a global business with its vision of making earth green again.

DEVELOPMENT AND RESULTS

Desert Control AS was established in September 2017. Initially, the priority was to conduct scientific validation of LNC (turf 2019, vegetables 2020). In 2021, the focus shifted to building production capacity, frontloading resources to enable organizational scale-up, and preparing for the commercialization of the company.

In 2022 the Group initiated a new strategy for the sales and distribution of LNC in the Middle East through a partnership with Mawarid through the joint venture Mawarid Desert Control. The transition took longer than expected and has caused a delay in the commercialization in the region. In the U.S., the academic collaboration with the University of Arizona continued, leading to the first U.S. commercial project with Limoneira Company.

FINANCIAL RESULTS

The sales income of 2022 for the Group, NOK 2.2 million, compared to sales income of NOK 3.1 million in 2021. The revenue in 2022 represents the income for pilots and pre-projects. The revenue recognized in 2021 relates to the pilot project performed for Mawarid Holding Investment in conjunction with the partnership negotiations.

Salary expenses increase significantly for 2022 compared to 2021 as the number of employees grew considerably at the end of 2021. The reported payroll for 2022 was NOK 62.1 million against NOK 15.0 million for 2021. Other costs are also substantially higher due to the preparation for scaling.

The net profit for 2022 for the Group is a loss of NOK 90.5 million. The 2021 net profit was a loss of NOK 31.8 million.
Total assets at the end of 2022 were NOK 119.3 million (2021: NOK 204.4 million). Total liabilities amounted to NOK 12.2 million (2021: 10.2 million) and equity totaled NOK 107 million (2021: NOK 194.3 million), giving an equity ratio of 89% (2021: 95%). Equity was negatively affected during 2022 by this year's result of NOK -90.5 million.
The Group holds no interest-bearing debt as of the end of 2022. Cash and current financial assets amounted to NOK 78.2 million (2021: NOK 179.2 million). The operating activities gave a net cash contribution of NOK -88.5 million (2021: NOK -29.5 million).
ALLOCATION OF HEADING PROFIT
The share premium covers the 2022 net loss of NOK 44.2 million for Desert Control AS. The Board does not recommend a dividend to be paid for 2022.

BOARD INSURANCE

The company has established a global Director and Officer liability insurance scheme. The policy has a limit of liability of NOK 25 million.

FORWARD-LOOKING STATEMENTS AND COMPANY OUTLOOK

The Company's long-term ambition is to commercialize the LNC product and associated services for a global market. According to the United Nations, more than 110 countries suffer desertification and extensive soil degradation, and deserts are spreading rapidly. Impacted regions include the West Coast of the United States, the Middle East, Africa, Australia, India, several countries across Asia, and Southern Europe. Desert Control's addressable market is focused on the sandy soil areas within these regions and countries.
In 2023, the company will focus on securing a number of strategic commercial pilots targeted for conversion to paid pre-projects demonstrating the deployment capability and financial feasibility of LNC for the selected clients.
The ambition is for the first pre-projects to convert to contracts for full-scale projects by the end of the year, with implementation starting in 2024. A strategic review will be initiated in 2023 to explore a broad range of strategic alternatives, including financing, structural and business development opportunities, to strengthen the company's ability to develop multiple market opportunities and secure funding to pursue growth strategies.

Sandnes, 27.04.2023

Knut Nesse
Chair

Brage Wårheim Johansen
Board Member

Maryne Lemvik
Board Member

Geir Hjellvik
Board Member

Marit Røed Ødegaard
Board Member

Kristian P. Olesen
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

FROM COMMERCIAL PILOTS TO FULL-SCALE PROJECTS

FROM COMMERCIAL PILOTS... ***... TO PRE-PROJECTS...*** ***... TO FULL SCALE DEPLOYMENT***

Corporate governance

Desert Control was listed at Euronext Growth (Oslo Stock Exchange) on 14 April 2021 under the ticker DSRT, following a successful initial public offering (IPO) and private placement of NOK 200 million. The Articles of Association were revised accordingly to state that the shares should be registered at VPS and to express the new level of shares.

The company has established a governance framework and executes its business in accordance with its code of conduct and governance policies. Communication and information management is handled in accordance with the Euronext Growth rules, and the equal treatment of shareholders is an essential part of this.

The Board holds two authorizations to increase the share capital a) issue of up to 5% of share capital for the purpose of funding incentive scheme for employees and b) 10% for the purpose of securing the financing of the company's development. The power of attorney is limited to two years from the date of the resolution and will be managed with biennial renewals.

The Board is represented by four men and two women. Four of the board members represent major shareholders of the company. Four board members hold shares in the company.

The company has not established a nomination committee for the purpose of proposing candidates for election of the Board.

The company has not established a remuneration committee. The Board remuneration is subject to approval by the General Assembly. The compensation to the CEO is determined by the Board of Directors.

Risk management

Desert Control has developed a novel and proprietary innovation to reduce the water consumption required to cultivate crops and green landscapes suffering from sandy soils and drought. The solution contributes to stopping and reversing desertification and soil degradation and reduces water consumption for green ecosystems. The United Nations reports that 12 million hectares of fertile land perish to desertification annually, and the market risk is considered low.
Desert Control has carried out numerous pilots and pre-projects, which indicates a consistent effect on water savings and improved yield. However, big commercial contracts have not yet been reported. Thus, the commercial risk remains high until the commercialization stage delivers confirmation of actual market adoption. Desert Control is currently financed through equity. The initial public offering raised NOK 200 million in new equity in the spring of 2021. Equity is reported at NOK 106.6 million on 31.12.2022. The Group holds no long-term interest-bearing debt, and the short-term debt is NOK 10.6 million. The equity ratio is 89% at the end of 2022. Credit risk is considered moderate.

The Group holds cash and funds, adding to NOK 78.2 million by per end of 2022, representing 66% of the total balance sheet. To strengthen the company's strategic ability to develop multiple market opportunities and secure funding to pursue growth strategies, the company has initiated a strategic review in the April 2023r. With the support of its financial advisors, the company aims to explore a broad range of strategic alternatives, including financing, structural and business development opportunities. The current liquidity forecast demonstrates that access to additional financing will be required within end of 2023. The Board of Directors views the Company's development as positive and considers the likelihood of attracting new capital at Euronext Growth to finance the Company's future expansion as high. The liquidity risk is therefore viewed as moderate.
The Board confirms that the financial statement has been prepared under the assumption of going concern. As of today, the outcome of the strategic review including sources of financing remains uncertain and thus there is uncertainty regarding the Group's ability to continue as a going concern.

People and work environment

The workforce of the Group adds up to fifty-three employees at the end of 2022. The Company has implemented a recruitment and onboarding process to ensure optimal balance between expertise, experience, and personal values to build a solid and uniting culture. The Company further values diversity. 19.4% of the employees are female, and the fifty-three employees are from sixteen nationalities, including Norwegian, Thai, Iranian, Filipino, Pakistani, British, Dutch, Egyptian, Indian, Iranian, Mauritian, Nepalese, Sudanese, Syrian, Swedish, and Tunisian.
The Company targets fair and equal treatment of genders and diversity factors, also concerning remuneration. The company is dedicated to maintaining an engaged and motivated international labor workforce with decent conditions, hereunder accommodation, insurance, pension, and the right to visit the home country.
The Company has not registered any injuries or accidents during 2022. There has been throughout 2022 been focus on the formalization of personal protection during operations, which will be continued going forward. Three employees have registered long-term absences caused by sickness. Total sick leave in the Group during 2022 amounted to 2,4%.

The Board considers the working environment as satisfactory.

Environmental, social, and governance (ESG)

SUSTAINABILITY IMPACT (SDGS)

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 seawater desalination can further significantly reduce CO_2 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_2 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_2 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, home to 95% of all biological species on earth. Reclaiming and protecting soil is therefore critical to preserving and restoring biodiversity. Mining clay and the production of LNC requires energy. Logistics and transportation of material, equipment, personnel, and manufacturing 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 impacts 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.

Norwegian Transparency Act

An account of our due diligence assessments carried out in accordance with the Norwegian Transparency Act (in force from 1 July 2022) will be published on www.desertcontrol.com within 30 June 2023.

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Consolidated statement of comprehensive income

(Amounts in NOK thousand)	Notes	Full year 2022	2021
Revenue from sales	2.1	2 223	3 127
Other income	2.2	1 995	-
Total income		**4 218**	**3 127**
Cost of goods sold (COGS)		2 508	563
Gross margin		**1 711**	**2 564**
Salary and employee benefit expenses	2.3, 7.1	62 087	14 993
Other operating expenses	2.4	29 859	18 662
Depreciation and amortisation	3.1	6 108	1 544
Impairment		-	658
Operating profit or loss		**-96 343**	**-33 293**
Finance income	4.6	15 873	1 730
Finance costs	4.6	9 987	179
Profit or loss before tax		**-90 457**	**-31 743**
Income tax expense	5.1	3	-
Profit or loss for the year		-90 459	-31 743
Allocation of profit or loss:			
Profit/loss attributable to shareholders of the parent		-90 459	-31 743
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		- 43	- 72
Total items that may be reclassified to profit or loss		-43	- 72
Total other comprehensive income for the year		**- 43**	**- 72**
Total comprehensive income for the year		**-90 503**	**-31 815**
Allocation of total comprehensive income			
Total comprehensive income attributable to shareholders of the parent		-90 503	-31 815
Earnings per share NOK ("EPS")			
Basic EPS - profit or loss attributable to shareholders of the parent	4.8	-2,51	-0,88
Diluted EPS - profit or loss attributable to shareholders of the parent	4.8	-2,51	-0,88

Consolidated statement of financial position

(Amounts in NOK thousand)	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	3.3	7 221	6 504
Property, plant and equipment	3.1	21 002	10 525
Right-of-use assets	3.2	1 635	2 006
Total non-current assets		**29 857**	**19 036**
Current assets			
Inventory		585	-
Accounts receivable		1 572	544
Other receivables	2.5	9 052	5 597
Other current financial assets	4.1	41 416	77 347
Cash and cash equivalents	4.5	36 791	101 924
Total current assets		**89 415**	**185 412**
TOTAL ASSETS		**119 272**	**204 447**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.4	123	122
Share premium		230 849	230 849
Currency translation differences		-1 336	- 107
Retained earnings		-122 636	-36 592
Total equity		**107 001**	**194 272**
Non-current liabilities			
Non-current lease liabilities	3.2	425	1 423
Total non-current liabilities		**425**	**1 423**
Current liabilities			
Current lease liabilities	3.2	1 059	528
Trade and other payables	2.6, 7.1	5 004	2 523
Public duties payable	2.6	944	1 023
Other current liabilities	2.6	4 839	1 497
Contract liabilities	2.6	-	3 181
Total current liabilities		**11 846**	**8 751**
Total liabilities		**12 271**	**10 175**
TOTAL EQUITY AND LIABILITIES		**119 272**	**204 447**

Sandnes, 27.04.2023

Knut Nesse
Chair

Brage Wårheim Johansen
Board Member

Maryne Lemvik
Board Member

Geir Hjellvik
Board Member

Marit Røed Ødegaard
Board Member

Kristian P. Olesen
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Consolidated statement of cash flows

(Amounts in NOK thousand)		Full year	
Cash flows from operating activities	**Notes**	**2022**	**2021**
Profit or loss before tax		**-90 457**	**-31 743**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.6	-5 886	-1 550
Depreciation and amortisation	3.1, 3.2	6 108	1 544
Impairment	3.1	-	658
Share-based payment expense	4.7	4 283	811
Working capital adjustments:			
Changes in accounts receivable and other receivables	2.5	-5 066	-4 139
Changes in trade payables, duties and social security payables	2.6	2 402	2 294
Changes in other current liabilities and contract liabilities	2.7	161	2 579
Net cash flows from operating activities		**-88 455**	**-29 547**
Cash flows from investing activities			
Purchase of property, plant and equipment	3.1	-13 969	-10 632
Proceed/purchase of financial instruments	4.1	36 744	-77 009
Proceeds from sale of property, plant and equipment	3.1	890	300
Interest received		867	462
Net cash flow from investing activities		**24 533**	**-86 879**
Cash flow from financing activities			
Proceeds from issuance of equity	4.4	1	200 000
Transaction costs on issue of shares	4.4	-	-10 093
Lease payments	3.2	-1 590	-1 098
Interest paid		- 3	462
Net cash flows from financing activities		**-1 592**	**189 271**
Net increase/(decrease) in cash and cash equivalents		**-65 514**	**72 845**
Cash and cash equivalents at beginning of the year	4.5	101 924	28 935
Net foreign exchange difference		380	144
Cash and cash equivalents, end of period		**36 791**	**101 924**

DESERT CONTROL

Consolidated statement of changes in equity

(Amounts in NOK thousand)	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 31 December 2020	**70**	**40 994**	**- 35**	**-5 713**	**35 316**
Profit (loss) for the year				-31 743	-31 743
Other comprehensive income			- 72	53	- 19
Issue of share capital (Note 4.5)	53	199 948			200 000
Transaction costs		-10 093			-10 093
Share based payments (Note 4.8)				811	811
Balance at 31 December 2021	**122**	**230 849**	**- 107**	**-36 592**	**194 272**
Profit (loss) for the year				-90 459	-90 459
Other comprehensive income			-1 229	132	-1 097
Issue of share capital (Note 4.5)	1				1
Transaction costs					-
Share based payments (Note 4.8)				4 283	4 283
Balance at 31 December 2022	**123**	**230 849**	**-1 336**	**-122 636**	**107 001**

Notes to the consolidated financial statements

1.1 GENERAL INFORMATION

Corporate information

The consolidated financial statements of Desert Control AS and its subsidiaries (collectively, "the Group" or "Desert Control") for the twelve months period ended 31 December 2022 were authorised for issue by a Board meeting held on 25 April 2023.

Desert Control AS is a private limited liability company incorporated and domiciled in Norway. It's shares are traded at the unregulated market place Euronext Growth. The Group's head office is located at Grenseveien 21, 4313 Sandnes, Norway.

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.

1.2 BASIS OF PREPARATION

The consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

Comparative financial information is provided for the preceding period in the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows.

Presentation currency and functional currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions. The subtotals and totals in some of the tables in the notes may not equal the sum of the amounts shown in the primary financial statements due to rounding. All amounts have been rounded to the nearest thousand unless otherwise stated.

Going concern basis of accounting

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. Refer to note 7.3 for additional information about the going concern assessment.

1.3 SIGNIFICANT ACCOUNTING POLICIES

Desert Control AS has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Operating Segments

The Chief Operating Decision Makers currently reviews the Company's activities on a consolidated basis as one operating segment.

Capitalisation of internal development costs

Development expenditures on an individual project, which represents new applications/technology, are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Other costs are classified as research and are expensed as incurred. As of 31 December 2022 all development expenses are expensed.

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone, such as regulatory approval.

1.4 SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are summarised below:

Estimates and assumptions:

- Share based payments (note 4.7)
- Measurement of deferred tax assets (note 5.1)

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

Accounting judgements:

- Determining whether deferred tax assets should be recognised (note 5.1)
- Whether there are material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern (note 7.3)
- Impairment assessment of goodwill (note. 3.3.)

A detailed description of the significant accounting judgements are included in the individual note where applicable.

2.1 REVENUE FROM CONTRACTS WITH CUSTOMER

ACCOUNTING POLICIES

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from sale of LNC is recognised when a customer obtains control of LNC, which normally is when LNC is applied at point of delivery, based on the contractual terms of the agreements.For the revenue recognized in 2022, the projects are small and satisfieds over a short period of time (maximum two weeks). As the two weeks was within the same month and reporting period, we have concluded to treat these as performance obligation recognized at point in time. Each sale represents a single performance obligation.

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

By area of operation: (Amounts in NOK thousand)	**2022**	**2021**
Liquid NaturalClay (LNC)	2 223	3 127
Total	**2 223**	**3 127**

By geographic market:	**2022**	**2021**
Norway	228	223
USA	1 100	-
UAE	895	2 903
Total	**2 223**	**3 127**

2.2 OTHER INCOME

ACCOUNTING POLICIES

Other income

Other income is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Other income relates to temporary secondment of personell to Mawarid Desert Control.

Other income	**2022**	**2021**
Secondment of personell	1 995	-
Total other income	**1 995**	**-**

2.3 SALARY AND EMPLOYEE BENEFIT EXPENSES

ACCOUNTING POLICIES

Salary and employee benefit expenses

Salary and employee benefit expenses comprise all types of remuneration to personnel employed by the Group (ie. not contracted manpower) and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in the expense line item on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Innovation Norway approved a project within environmental technology ("miljøteknologiordningen") early 2021 at NOK 26 million with 45% grant rate, i.e. in total NOK 11.85 million. NOK 9 million was recognised in 2021. Government grants are splitted into cost related to employee benefit and cost related to Other Operating Expenses, refer to note 2.4. The project was completed in mid 2022.

Pensions

The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). Contributions are paid to the defined contribution pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Employee benefit expenses	**2022**	**2021**
Salaries	52 524	14 644
Government grant	-1 980	-2 367
Social security costs	4 284	1 481
Pension costs	1 042	275
Other employee expenses	6 216	960
Total employee benefit expenses	**62 087**	**14 993**
Average number of full time employees (FTEs)	51	18,4

At the end of the reporting period, members of the Board and management held shares and share options in Desert Control AS. For information on remuneration to Management and the Board of Directors, including disclosures related to share and share options held, see note 7.1.

2.4 OPERATING EXPENSES

ACCOUNTING POLICIES

Other operating expenses are recognised when they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortisation.

Other operating expenses	**2022**	**2021**
Audit and accounting fees	1 241	526
Consulting fees	2 644	336
Legal expenses	1 252	1 149
Travel expenses	4 692	1 832
Lease expenses	2 675	41
Research expenses	4 681	14 387
Government grant	-2 198	-6 496
Regulatory expenses	2 011	-
Harware and software expenses	2 044	-
Other operating expenses	10 817	6 887
Total other operating expenses	**29 859**	**18 662**

Auditor fees	**2022**	**2021**
Statutory audit	423	83
Attestation services	222	-
Tax advisory	-	-
Other services	365	88
Total remuneration to the auditor	**1 010**	**171**

The amounts above are excluding VAT.

2.5 OTHER RECEIVABLES

ACCOUNTING POLICIES

Other receivables

Other receivables are financial assets initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Other receivables are subject to impairment by recognising an allowance for expected credit losses.

Other receivables consist mainly of receivable to Mawarid DC Joint Venture, VAT receivables and government grant receivables which are expected to be realised or consumed in the normal operating cycle within twelve months after the reporting period.

Expected credit losses

The Group applies the simplified approach in calculating expected credit losses (ECL). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other receivables	31.12.2022	31.12.2021
Mawarid Mawarid DC Joint Venture (also refer to 2.2)	1 502	-
VAT receivables	647	670
Government grant receivables	3 383	2 370
Prepayments	2 471	1 414
Other receivables	1 048	1 144
Total other receivables	**9 052**	**5 597**

The credit loss allowance is insignificant.

For details regarding the Group's procedures on managing credit risk, reference is made to note 4.2.

2.6 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables mainly consist of withholding payroll and social security tax.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade and other payables	31.12.2022	31.12.2021
Trade payables	5 004	2 523
Withholding payroll taxes and social security	944	1 023
Other current liabilities	4 839	1 497
Contract liabilities	-	3 181
Total trade and other payables	**10 786**	**8 223**

2.7 PROVISIONS

ACCOUNTING POLICIES

Provisions are liabilities with uncertain timing or amount and are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

A provision is made and calculated based on management assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of the financial year. No provisions have been made at year end 2021 or 2022.

Other commitments and contingencies

No contingent liabilities are recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognised in the annual accounts but are disclosed when an inflow of economic benefits is considered probable. The Group has no contingent assets or liabilities that meet the criteria for disclosure.

Other commitments

The Group did not provide guarantees to or on behalf of third parties or related parties. The Group has no significant commitments to disclose.

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Group estimates the asset's or Cash Generated Units (CGU's) recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The abbreviation CGU means cash generating unit.

	Plant and machinery	Fixtures and fittings	Total
Cost as at 1 January 2021	**1 188**	**206**	**1 394**
Additions	10 079	553	10 632
Disposals	-300		-300
Cost as at 31 December 2021	**10 967**	**759**	**11 726**
Additions	13 543	426	13 969
Disposals	-890	-	-890
Currency translation effects	2 074	-	2 074
Cost as at 31 December 2022	**25 694**	**1 185**	**26 879**
Depreciation and impairment as at 1 January 2021	**-**	**9**	**9**
Depreciation for the year	434	143	577
Impairment for the year	644	14	659
Currency translation effects	-44	-	-44
Depreciation and impairment as at 31 December 2021	**1 035**	**166**	**1 200**
Depreciation for the period	4 303	343	4 646
Impairment for the period	-	-	-
Disposals	-	-	-
Currency translation effects	7	-	7
Depreciation and impairment as at 31 December 2022	**5 344**	**509**	**5 854**
Net book value:			
At 31 December 2021	**9 932**	**593**	**10 525**
At 31 December 2022	**20 326**	**676**	**21 002**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

3.2 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

ACCOUNTING POLICIES

At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

GROUP AS A LESSEE

At the commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as operating expenses in the consolidated statement of comprehensive income.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Group presents its right-of-use assets as separate line items in the consolidated statement of financial position.

THE GROUP'S LEASED ASSETS

The Group leases three warehouse properties.

The Group's right-of-use assets recognised in the consolidated statement of financial position are presented in the table below:

Right-of-use assets

	Warehouse	Total
Acquisition cost at 31 December 2021	**2 998**	**2 998**
Additions of right-of-use assets	894	894
Currency translation effects	-	-
Acquisition cost at 31 December 2022	**3 892**	**3 892**
Depreciation and impairment at 31 December 2021	**992**	**992**
Depreciation of right-of-use assets	1 267	1 267
Currency translation effects	-	-
Depreciation and impairment at 31 December 2022	**2 259**	**2 259**
Carrying amount at 31 December 2021	**2 006**	**2 006**
Carrying amount at 31 December 2022	**1 635**	**1 635**
Remaining lease term or remaining useful life	1-2 years	
Depreciation plan	Straight-line method	

Expenses in the period related to practical expedients and variable payments	**2022**	**2021**
Short-term lease expenses	782	1 072
Low-value assets lease expenses	-	-
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**782**	**1 072**

The lease expenses in the period related to short-term leases, low-value assets and variable lease payments are included in other operating expenses in the consolidated statement of comprehensive income, and the payments are presented in the Group's operating activities in the consolidated statement of cash flows.

The Group's lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	**31.12.2022**	**31.12.2021**
Less than one year	1 063	1 453
One to two years	434	532
Total undiscounted lease liabilities	**1 497**	**1 986**

Changes in the lease liabilities - 2021	**Total**
At 1 January 2021	**-**
New leases recognised during the period	2 998
Cash payments for the lease liability	-1 098
Interest expense on lease liabilities	52
Currency translation effects	-
Total lease liabilities at 31 December 2021	**1 952**
Current lease liabilities in the statement of financial position	528
Non-current lease liabilities in the statement of financial position	1 423

Changes in the lease liabilities - 2022	**Total**
At 1 January 2022	**1 952**
New leases recognised during the period	894
Cash payments for the lease liability	-1 590
Interest expense on lease liabilities	41
Currency translation effects	187
Total lease liabilities at 31 December 2022	**1 485**
Current lease liabilities in the statement of financial position	1 059
Non-current lease liabilities in the statement of financial position	425

Total cash outflow for 2022 for all leases amount to NOK 4.1 million (NOK 2.2 million in 2021).

3.3 GOODWILL

ACCOUNTING POLICIES

Recognised goodwill in the Group amounts to NOK 7.2 million as of 31 December 2022. Goodwill is derived from the acquisition of Desert Control Middle East in 2019.

Goodwill is tested for impairment at least annually, or when there are indications of impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units, CGU's).

The business in UAE was defined as a separate cash-generating unit (CGU) within the Group.

Book value of goodwill:	2022	2021
UAE business	7 221	6 504
	7 221	**6 504**

The change from 2021 to 2022 of NOK 0.7 million is caused by foreign exchange effects. An impairment test was performed as of year end 2022.

The recoverable amount is set to the estimated value in use. The value in use is the net present value of the estimated cash flow before tax, using a discount rate reflecting the timing of the cash flows and the expected risk.

Key assumptions

The key assumptions applied in the valuation of goodwill are:

- Revenue and margins
- Discount rate
- Growth rate

Revenue and margins

The value in use for the CGU has been calculated by using projected cash flows based on the budgets approved by the Group Management approved in October 2022, with a conservative adjustment due to the factors described below, covering a five-year period. The projected cash flows are based on anticipated acceleration of commercialization in the UAE, the anticipated conversion from small-scale to full-scale projects and the technology improvements. According to the management this is reasonable assumptions based on the development of LNC, technologies and the market.

The market has responded slower than expected and during 2022 efforts to optimize operational cost efficiency and finalize the transition to the Joint Venture partnership model. The restructuring process in the UAE entity is completed, and the new organizational structure has been implemented. The restructuring effectively lowers Desert Control Middle East operational costs by more than 50%. The management expects growth in the long run, but have adjusted down sales estimates in the budget period and the estimate of nominal growth after the five year budget period. Due to more complicated products, management believes that direct costs for production, installation and the after sale activities will increase.

Discount rate

The discount rate applied is 9.5%. The discount rate is based on weighted average cost of capital (WACC). The discount rate is reflecting the current market rate of return in the farming industry where the cash generating unit is being compared.

Growth rate (terminal value)

The growth rate for the terminal value (after year 5) is set to 2%, which is estimated to be the general inflation.

We note that the impairment test demonstrated a significant headroom. A reasonable possible change in the assumptions in any of key assumptions would not lead to an impairment.

4.1 FINANCIAL INSTRUMENTS

ACCOUNTING POLICIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments

The Group's financial instruments are grouped in the following categories:

Financial Assets

- Financial assets measured subsequently at amortised cost: Includes mainly other receivables and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets

With the exception of other current financial assets, the Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

Financial Liabilities

- Financial liabilities measured subsequently at amortised cost: Represent the Group's non-interest bearing liabilities such as trade payables.

The Group does not have derivative financial instruments measured at fair value. All financial assets and liabilities are measured subsequently at amortised cost, with the exception of other current financial assets measured at fair value.

Initial recognition and subsequent measurement

Financial assets and liabilities at amortised cost

The Group's financial assets and liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss upon impairment, when the instruments are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised at fair value are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). The Group applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.2 for further information related to management of credit risk.

Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or The Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

31.12.2022	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Accounts receivable		1 572		1 572
Other current financial assets*			41 416	41 416
Cash and cash equivalents	4.5	36 791		36 791
Total financial assets		**38 363**	**41 416**	**79 779**
Liabilities				
Trade and other payables	2.6	5 004		5 004
Total financial liabilities		**5 004**	**-**	**5 004**

31.12.2021	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Accounts receivables		544		544
Other current financial assets*			77 347	77 347
Cash and cash equivalents	4.5	101 924		101 924
Total financial assets		**102 468**	**77 347**	**179 815**
Liabilities				
Trade and other payables	2.6	2 523		2 523
Total financial liabilities		**2 523**	**-**	**2 523**

* Other current financial assets consist of fixed income fund.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.6.

4.2 FINANCIAL RISK MANAGEMENT

Overview

The Group's principal financial liabilities, comprise lease liabilities, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include other current financial assets, trade receivables, other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. Risk management is carried out by Group management .

Market risk

Market risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest risk and currency risk. Financial instruments affected by market risk include deposits and fixed income funds.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has a limited exposure to the risk of changes in market interest rates as it currently has no interest bearing debt. The future cash flows from cash and cash equivalents and other current financial assets is dependent on market interest rates. Currently the Group does not hedge interest rate risk exposure with the use of financial instruments, but may enter into contracts to offset some of the risk depending on the future funding and expected interest rates.

Interest rate sensitivity

Given that the Group holds no interest-bearing debt and a 10% change in the interest rate would have a limited impact on the financial statement, we deem the interest sensitivity to not be significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group holds no significant financial instruments in foreign currencies.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. The Group is exposed to credit risk related to other receivables, cash and cash equivalents and other curren financial assets.

The Group only uses highly reputable banks and fund managers in order to reduce credit risk. The expected credit loss for the Group is considered not significant as of 31 December 2022.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its working capital and securing sufficient funding from investors. Refer to note 7.3 for further information.

The Group's objective is to secure funding for its working capital, including mainly the research and development of LNC. Except for the non-current lease liability, all loans and payables are due to be paid within 12 months from the balance sheet date.

Capital management

The primary focus of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support the growth of the business. The group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives policies or processes during the year 31 December 2022 and 31 December 2021. The Group holds no interest-bearing debt as of 31 December 2022.

4.3 FAIR VALUE MEASUREMENT

ACCOUNTING POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

FAIR VALUE DISCLOSURES

Management has assessed that the fair values of cash and short-term deposits, other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates.

Other current financial assets

Other current financial assets comprise investments in fixed income funds, managed by SKAGEN / Storebrand, thus the fair value is categorised as level 1 measurements.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(NOK thousand)	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value						
Other current financial assets (Note 4.1)	31.12.2022	41 416	41 416	X		

There were no transfers between the levels during the current period.

Notes to the consolidated financial statements

4.4 EQUITY AND SHAREHOLDERS

ACCOUNTING POLICIES

Costs related to equity transactions

Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders

The Group recognises a liability to make distributions to equity holders when the distribution is authorised and no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

No distributions were made to shareholders in the current or prior period.

Issued capital and reserves:

Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position
At 31 December 2020	**23 178**	**3**	**69 534**
Share split 1:1 000	23 178 000	0,003	69 534
Share issue 22 February 2021	340 000	0	1 020
Share issue 9 April 2021	17 108 640	0	51 326
Share issue 6 August 2021	98 000	0	294
			-
At 31 December 2021	**40 724 640**	**0**	**122 174**
Share issue 10 March 2022	375 040	0	1 125
At 30 December 2022	**41 099 680**	**0**	**123 299**

All shares are ordinary and have the same voting rights and rights to dividends.

Reconciliation of the Group's equity is presented in the statement of changes in equity.

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2022	Total shares	Ownership/ Voting rights
Olesen Consult HVAC AS	5 900 000	14,4 %
J.P. Morgan SE	2 605 802	6,3 %
Ole Morten Olesen	1 650 000	4,0 %
Nordnet Livsforsikring AS	1 553 658	3,8 %
JPMorgan Chase Bank, N.A., London	1 516 166	3,7 %
Lithinon AS	1 423 706	3,5 %
Nesse & Co AS	1 360 000	3,3 %
Beyond Centauri AS	1 243 371	3,0 %
LIN AS	1 215 275	3,0 %
Monsunen Forvaltning AS	1 146 158	2,8 %
Idland	1 122 540	2,7 %
Jakob Hatteland Holding AS	1 000 000	2,4 %
DNB BANK ASA	993 659	2,4 %
The Northern Trust Comp, London Br	958 275	2,3 %
Investore Finans AS	883 147	2,1 %
Clearstream Banking S.A.	838 396	2,0 %
OKS Consulting AS	805 000	2,0 %
Sortun Invest AS	677 715	1,6 %
Glomar AS	627 715	1,5 %
Others	13 579 097	33,0 %
Total	**41 099 680**	**100,0 %**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1.

4.5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

Cash and cash equivalents	**31.12.2022**	**31.12.2021**
Bank deposits, unrestricted	35 617	101 303
Bank deposits, restricted	1 174	621
Total cash and cash equivalents	**36 791**	**101 924**

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

4.6 FINANCIAL INCOME AND EXPENSES

ACCOUNTING POLICIES

Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within finance income or finance costs, except for currency translation effects from investments in foreign subsidiaries which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest costs on lease liabilities represents the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position.

Finance income	**2022**	**2021**
Interest income	867	467
Other finance income	816	347
Gain on foreign exchange	14 189	916
Total finance income	**15 873**	**1 730**

Finance costs	**2022**	**2021**
Interest expenses	-	-
Interest on lease liabilities	41	-
Other finance		
Loss on foreign exchange	9 942	179
Total finance costs	**9 987**	**179**

Interest income represents mainly interest income on cash deposits.

Other finance income is related to income from other current financial assets.

4.7 SHARE BASED PAYMENTS

ACCOUNTING POLICIES

Management and key employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

Under the main schemes the employees are granted options to purchase shares after 3 years vesting periods. The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made, which has been estimated using an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.8).

Social security tax on share based payments are recognised when paid.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or restrictive share unit, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates made by management. The most significant assumption is the volatility of the share price, which has been set to 47,74% due to the immature nature of the Group and its technology.

Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. MNOK 4 have been expensed as employee benefit expenses in the period (NOK 811k in 2021).

	2022	2021
Outstanding options 1 January	**550 000**	**1 000 000**
Options granted	2 830 000	-
Options forfeited	-257 850	-
Options exercised	-362 150	-450 000
Options expired	-	-
Outstanding options 31 December	**2 760 000**	**550 000**
Exercisable at 31 December	0	0

The strike price for the options exercised was NOK 0.003 for 2022 and 2021. The share price at the time of exercise in 2022 was NOK 22.98,compared to the weighted average share price at time of exercise in 2021 of NOK 5.8.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 2.08 years (2021: 0.48 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 - 20.00 (2021: NOK 0.003).

Assumptions used to determine fair value of share option grants:

	2022	2021
Weighted average fair values at the grant date	13,12	-
Dividend yield (%)	-	-
Expected volatility (%)	47%	80%
Risk–free interest rate (%)	3%	1%
Expected life of restricted shares (years)	3,5	5-7
Weighted average share price (NOK)	26,34	5,76
Model used	**BSM**	**BSM**

The expected volatility reflects historical volatility for similar listed entities. Share based payment valuations are considered level 3 measurements, ref note 4.3.

4.8 EARNINGS PER SHARE

ACCOUNTING POLICIES

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

(Amounts in NOK)	2022	2021
Profit or loss attributable to ordinary equity holders - for basic EPS	-90 459 290	-31 742 812
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	-90 459 290	-31 742 812
Weighted average number of ordinary shares - for basic EPS	35 976 313	35 976 313
Weighted average number of ordinary shares adjusted for the effect of dilution	38 536 313	36 526 313
Basic EPS - profit or loss attributable to equity holders of the parent	**-2,51**	**-0,88**
Diluted EPS - profit or loss attributable to equity holders of the parent	**-2,51**	**-0,88**

Notes to the consolidated financial statements

5.1 TAXES

ACCOUNTING POLICIES

Current income tax

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity (OCI) is recognised in equity (OCI) and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity (or tax group) and the same taxation authority.

The Group has NOK 131 million of tax losses carried forward as at 31 December 2022 (NOK 31 million as at 31 December 2021). These losses primarily relate to historical losses in the parent company. The tax losses carried forward may be offset against future taxable income and have no expiry date.

The Group does not have any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets relating to the tax losses carried forward.

Current income tax expense:	**2022**
Tax payable	3
Adjustment for income tax payable for previous periods	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-
Total income tax expense	**-**

Deferred tax assets:	**31.12.2022**	**31.12.2021**
Property, plant and equipment	-671	-779
Lease liabilities	-1 485	-1 952
Losses carried forward (including tax credit)	-121 292	-31 000
Basis for deferred tax assets:	**-123 448**	**-33 731**
Calculated deferred tax assets	-27 159	-7 421
- Deferred tax assets not recognised	27 159	7 421
Net deferred tax assets in the statement of financial position	**-**	**-**

Deferred tax liabilities	**31.12.2022**	**31.12.2021**
Right-of-use assets	1 635	2 006
Basis for deferred tax liabilities	**1 635**	**2 006**
Calculated deferred tax liabilities	**360**	**441**
- Deferred tax not recognised	-360	-441
Deferred tax liabilities recognised in the statement of financial position	**-**	**-**

As the Group is not yet in a tax paying position and and has not recognised anet deferred tax assets related to the tax losses carried forward, it has not been determined meaningful to present a reconciliation of the tax expense.

6.1 INTERESTS IN OTHER ENTITIES

ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Desert Control AS and its subsidiaries as at 31 December 2022. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in joint ventures

On 15 December 2021, Desert Control and Mawarid Holding Investment announced entering into a strategic partnership by forming a new jointly owned company, Mawarid Desert Control LLC ("MDC"). Mawarid Desert Control LLC received its official certificate of commercial registration and license as a limited liability company incorporated in the Emirate of Abu Dhabi in UAE on 29 March 2022.

Mawarid Desert Control LLC becomes the driving force for sales and distribution of Desert Control's Liquid Natural Clay across the Middle East and is Desert Control's exclusive partner in the UAE. Desert Control Middle East LLC in Abu Dhabi will operate Desert Control's mobile fleet of clusters in the region and will supply LNC to Mawarid Desert Control LLC on commercial terms utilizing the know-how and strengths of the parties to maximize total in-country value creation.

Investments in joint ventures are consolidated under the equity method. Desert Control AS accounts for joint operations by recognizing its share of assets, liabilities, income and expenses. Investments in associates or joint ventures are tested for impairment whenever indication of impairment exists. If any objective evidence of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. If the carrying amount exceeds the recoverable amount, an impairment loss is recorded in "Net income (loss) from equity affiliates".

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize Desert Control' share of the net income and other comprehensive income of the associate or joint venture. Unrealized gains on transactions between Desert Control and its equity-accounted entities are eliminated to the extent of Desert Control' interest in the equity accounted entity. In equity affiliates, goodwill is included in investment book value.

The consolidated entities

The subsidiaries of Desert Control AS are presented below:

Consolidated entities 31 December 2022	Office	Currency	Shareholding and the Group's voting ownership share
Desert Control Americas, Inc.	USA	USD	100%
Desert Control Middle East FZ LLC	Abu Dhabi, UAE	AED	100%
Desert Control Middle East LLC	Abu Dhabi, UAE	AED	49%*

Joint ventures 31 December 2022	Office	Currency	Desert Control voting ownership share	Date of joint agreement
Mawarid Desert Control LLC	Abu Dhabi, UAE	AED	50%	15.12.2021

*Desert Control owns 49% of Desert Control Middle East LLC Abu Dahbi, with the remaining 51% being held by a local corporate sponsor due to local regulations requiring sponsorships. A shareholder agreement secures Desert Control 100% of any dividends and 100% of the controlling stake in Desert Control Middle East LLC.

Information related to joint ventures:

(NOK thousand)	**Mawarid Desert Control LLC 31.12.2022**
Non current assets	-
Current assets	451
Cash and cash equivalents	27
Total assets	**478**
Shareholder's equity	-2 082
Other non current liabilities	1 929
Non current financial debts	-
Other current liabilities	632
Current financial debts	-
Total liabilities	**478**
Revenue from sales	-
Cost of Sales	-
Salary and employee benefit expenses	235
Admin, Selling and General Expenses	2 601
Net income	**-2 836**
Desert Control AS ownership	49%
Equity value	-1 020
Net loss	-1 390
Dividends paid to Desert Control AS	-

The equity is not recognized due to the negative value.

7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

Remuneration of the Board of Directors

Remuneration of the members of the Board is determined by the Annual General Meeting (AGM).

Remuneration to the Members of the board for the year ended 31 December 2022:

	Board remuneration paid	
(Amounts in NOK thousand)	**2022**	**2021**
Knut Nesse (Chair)	250	-
Brage Wårheim Johansen (Board Member)	100	-
Arnfinn Matre (Board Member)	100	-
Maryne Lemvik (Board Member)	-	-
Geir Hjellvik (Board Member)	100	-
Marit Røed Ødegaard (Board Member)	100	-
Kristian P. Olesen (Board Member)	100	-

Remuneration to the management team

The Board of Desert Control AS determines the principles applicable to the Group's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's management team includes the CEO, CFO, CCO, CSO, COO and CIO.

Principles for determining salary

The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance and internet subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Pension

All executive management are members of the defined contribution pension scheme.

Other benefits

Members of the management team have been granted share options under the Group's share option plan, described in note 4.8. The share options held by the management team is summarised further below.

Severance Arrangements

If the CEO is terminated by the Board, he is entitled to severance pay of 12 months in addition to the ordinary notice period of 3 months.

For other members of the management team, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment. One former member of the management team have a severance pay of 12 months due to resignation, ending 30.09.2023.

Loans and guarantees

No loans have been granted and no guarantees have been issued to management or any member of the Board of Director.

Remuneration to the management team for the year ended 31 December 2022:

(Amounts in NOK thousand)	Salary	Shares	Pension	Other compensation	Total remuneration
Ole Kristian Sivertsen (CEO)	2 133	4 136	73	3 701*	10 043
Erling Rasmussen (CFO, 01.01.2022-31.07.2022)	937	1 034	71	1 308*	3 350
Marianne Vika Bøe (CFO, from 01.08.2022)	542	-	32	14	587
Charlie Granfelt (CCO)	750	-	38	14	802
Bernt Arne Breistein (CSO)	750	-	38	14	802
Ordin Husa (COO)	750	-	38	14	802
Viggo Halseth (CIO)	125		8	7	140
Total	**5 987**	**5 170**	**298**	**5 072**	**16 526**

*Other compensation includes cash bonus in order to settle tax as a result of share options exercise.

Remuneration to the management team for the year ended 31 December 2021:

		Other	Total		
(Amounts in NOK thousand)	Salary	Shares	Pension	compensation	remuneration
Ole Kristian Sivertsen (CEO)	1 984	868	51	124	3 027
Erling Rasmussen (CFO)	1 136	434	47	23	1 640
Tor Mæhlum Karlsen (CTO)	1 106	659	38	10	1 813
Hege Kverneland (TSO)	185	366	8	17	576
Atle Idland (VP, Sales & Marketing)	1 674		(*)		1 674
Total	**6 085**	**2 327**	**144**	**174**	**8 730**

*Eligible for gratuity pension of 1 month pay for each year of service.

Shares held by the management team:	**31.12.2022**	**31.12.2021**
Ole Kristian Sivertsen (CEO)	805 000	560 000
Marianne Vika Bøe (CFO)	-	-
Charlie Granfelt (CCO)	-	-
Bernt Arne Breistein (CSO)	-	-
Ordin Husa (COO)	-	-
Viggo Halseth (CIO)	10 375	-
Total	**815 375**	**560 000**

Shares held by the Board of Directors:	**31.12.2022**	**31.12.2021**
Knut Nesse (Chair)	1 360 000	1 360 000
Kristian P. Olesen* (through controlling share in Olesen Consult HVAC AS)	5 900 000	5 900 000
Brage W. Johansen	1 243 371	1 543 371
Geir Hjellvik	1 423 706	1 355 431
Marit Røed Ødegaard	30 000	30 000
Maryne Lemvik	-	-
Total	**10 057 077**	**10 308 802**

* Kristian P. Olesen owns 60 % of Olesen Consult HVAC AS, who holds 5.9 mill shares in Desert Control.

Share options held by the management team:	**31.12.2022**	**31.12.2021**
Ole Kristian Sivertsen (CEO)	600 000	200 000
Marianne Vika Bøe (CFO)	300 000	-
Charlie Granfelt (CCO)	240 000	-
Bernt Arne Breistein (CSO)	300 000	-
Viggo Halseth (CIO)	120 000	-
Total	**1 560 000**	**200 000**

7.2 RELATED PARTY TRANSACTION

Related parties are major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options held by management and the Board are also summarised in note 7.1. Refer to note 2.2 and 2.5 for transactions with the joint venture Mawarid Desert Control LLC.

All transactions within the Group or with other related parties are based on the principle of arm's length.

7.3 FUTURE OUTLOOK AND GOING CONCERN

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

GOING CONCERN

The Group's assessment of its ability to continue operating on a going concern basis required judgement and the estimation of the probability in obtaining sources of financing to meet its obligations and commitments. The Group is still in a pre-commercialization phase and management does not expect significant revenue in 2023. Several pilot projects will be carried out in 2023 and the level of future revenue from these pilots remains uncertain. Thus, the commercial risk remains high until the commercialization stage delivers confirmation of actual market adoption. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements. A restructuring process has been initiated in the UAE by shifting employees from Desert Control Middle East to the sales- and distribution JV Mawarid Desert Control. The restructuring effectively lowers Desert Control's operational cost for the Middle East by more than 50%. The business development in the U.S. continues as planned. The current liquidity forecast demonstrates that access to additional financing will be required within end of 2023. Additional cost efficiency measures are prepared if necessary.

To strengthen the company's strategic ability to develop multiple market opportunities and secure funding to pursue growth strategies, the company has initiated a strategic review in April 2023. With the support of its financial advisors, the company aims to explore a broad range of strategic alternatives, including financing, structural and and business development opportunities. As of today, the outcome of the strategic review including sources of financing remains uncertain and thus there is uncertainty regarding the Group's ability to continue as a going concern for the next 12 months.

There have been no significant adjusting events subsequent to the reporting date.

8.1 CHANGES IN IFRS AND NEW STANDARDS

Standards issued but not yet effective

No new standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are expected to have a significant impact on the financial statements.

Financial Statement Desert Control AS

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Statement of comprehensive income

For the years ended 31 December

Amount in NOK thousand	Notes	2022	2021
Revenue from sales		228	223
Other income		-	-
Total income		**228**	**223**
Cost of goods sold (COGS)		219	44
Gross margin		**7**	**179**
Salary and employee benefit expenses	2.1	35 618	8 828
Other operating expenses	2.2	17 405	14 552
Depreciation and amortisation	3.1	343	304
Impairment	3.1	-	659
Operating profit or loss		**-53 358**	**-24 163**
Finance income	4.4	18 351	1 935
Finance costs	4.4	9 936	128
Profit or loss before tax		**-44 943**	**-22 356**
Income tax expense	5.1	-	-
Profit or loss for the year		**-44 943**	**-22 356**
Allocation of profit or loss:			
Profit/loss attributable to shareholders		-44 943	-22 356
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations			-
Total items that may be reclassified to profit or loss			-
Total other comprehensive income for the year			**-**
Total comprehensive income for the year		**-44 943**	**-22 356**
Allocation of total comprehensive income			
Total comprehensive income attributable to shareholders		-44 943	-22 356

Statement of financial position

(Amounts in NOK thousand)	Notes	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	676	593
Intercompany receivables		88 144	28 386
Investment in subsidiaries	6.1	6 880	6 480
Total non-current assets		**95 700**	**35 460**
Current assets			
Accounts receivables		196	544
Other receivables	2.3	5 042	3 752
Other current financial assets	4.1	41 416	77 347
Cash and cash equivalents	4.3	32 443	96 100
Total current assets		**79 097**	**177 743**
TOTAL ASSETS		**174 797**	**213 202**
EQUITY AND LIABILITIES			
Equity			
Share capital	4.5	123	122
Share premium	4.5	230 849	230 849
Retained earnings	4.5	-65 823	-24 972
Total equity	**4.5**	**165 150**	**205 999**
Current liabilities			
Trade and other payables	2.4, 4.1	2 730	1 614
Intercompany payables	2.4	372	-
Public duties payable	2.4	1 915	1 023
Other current liabilities	2.4	4 630	1 386
Contract liabilities	2.4	-	3 181
Total current liabilities		**9 647**	**7 203**
Total liabilities		**9 647**	**7 203**
TOTAL EQUITY AND LIABILITIES		**174 797**	**213 202**

Sandnes, 27.04.2023

Knut Nesse
Chair

Brage Wårheim Johansen
Board Member

Maryne Lemvik
Board Member

Geir Hjellvik
Board Member

Marit Røed Ødegaard
Board Member

Kristian P. Olesen
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Statement of cash flows

(Amounts in NOK thousand)

Cash flows from operating activities	**Notes**	**2022**	**2021**
Profit or loss before tax		**-44 943**	**-22 356**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.4	-8 415	-1 807
Depreciation and impairment of property, plant and equipment	3.1	343	962
Depreciation and impairment of Right-of-use assets	-		
Share-based payment expense	4.5	4 093	811
Working capital adjustments:			
Changes in accounts receivable and other receivables		- 942	-28 828
Changes in trade, public duties and other payables		2 008	1 421
Changes in other current liabilities and contract liabilities		64	2 728
Net cash flows from operating activities		**-47 793**	**-47 069**
Cash flows from investing activities			
Purchase of property, plant and equipment	3.1	- 426	- 553
Purchase of financial instruments	4.1	36 744	-77 009
Proceeds from sale of property, plant and equipment	3.1	-	300
Interest received		867	673
Net cash flow from investing activities		**37 185**	**-76 590**
Cash flow from financing activities			
Proceeds from issuance of equity	4.2	-	200 000
Transaction costs on issue of shares	4.2	-	-10 091
Interest paid		- 3	
Net payments loans to group companies		-53 517	
Net cash flows from financing activities		**-53 520**	**189 908**
Net increase/(decrease) in cash and cash equivalents		**-64 127**	**66 250**
Cash and cash equivalents at beginning of the year/period	4.3	96 100	28 934
Net foreign exchange difference		472	916
Cash and cash equivalents, end of year		**32 443**	**96 100**

Statement of changes in equity

(Amounts in NOK thousand)	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 31 December 2020	**70**	**40 994**	**-**	**-3 441**	**37 623**
Profit (loss) for the year				-22 342	-22 342
Issue of share capital (Note 4.5)	53	199 947			200 000
Transaction costs		-10 091			-10 091
Share based payments (Note 4.8)				811	811
Balance at 31 December 2021	**122**	**230 850**	**-**	**-24 972**	**206 000**
Profit (loss) for the year				-44 943	-44 943
Issue of share capital (Note 4.5)	1				1
Transaction costs					-
Share based payments (Note 4.8)				4 093	4 093
Balance at 31 December 2022	**123**	**230 850**	**-**	**-65 823**	**165 150**

Notes to the Desert Control AS parent company financial statements

1.1 SUMMARY OF IFRS ACCOUNTING PRINCIPLES

Significant accounting policies

These parent company financial statements should be read in connection with the Consolidated financial statements of Desert Control, published together with these financial statements. The financial statements have been prepared in line with the simplified application of International Financial Reporting Standards ("IFRS") in accordance with the Norwegian Accounting Act § 3-9. With the exception described below, Desert Control AS applies the accounting policies of the group, and reference is made to these notes for further details.

Subsidiaries

Shareholdings in subsidiaries are accounted for using the cost method. Investments in subsidiaries are tested for impairment following the same principles as the impairment testing of Property, plant and equipment in the financial statements of the Group. Dividends received from from subsidiaries are presented in Net financial income.

2.1 SALARY AND EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses	2022	2021
Salaries	27 679	8 621
Government grant	-1 980	-2 367
Social security costs	4 284	1 481
Pension costs	1 042	275
Other employee expenses	4 593	819
Total employee benefit expenses	**35 618**	**8 828**
Average number of full time employees (FTEs)	17	9

At the end of the reporting period, members of the Board and management held shares and share options in Desert Control AS. For information on remuneration to Management and the Board of Directors, including disclosures related to share and share options held, see note 7.1 to the Group financial statements.

2.2 OPERATING EXPENSES

Other operating expenses	2022	2021
Audit and accounting fees	394	199
Consulting fees	668	146
Legal expenses	1 008	1 130
Travel expenses	3 593	1 514
Lease expenses	117	41
Research expenses	4 681	6 496
Government grant	-2 198	-6 496
Other operating expenses	9 144	11 522
Total other operating expenses	**17 405**	**14 552**

Auditor fees	2022	2021
Statutory audit	221	83
Attestation services	222	
Tax advisory		
Other services	365	88
Total remuneration to the auditor	**808**	**171**

Audit fee:
The amounts above are excluding VAT.

Other services
Other services consist of EY FAAS assistance in relation to IFRS financial statements for Desert Control group for 2021 and transition from NGAAP to IFRS for Desert Control AS.

2.3 OTHER RECEIVABLES

Other receivables	31.12.2022	31.12.2021
VAT receivable	647	670
Receivables government grant	3 383	2 370
Prepayments	1 012	712
Total other receivables	**5 042**	**3 752**

The credit loss allowance is insignificant.
For details regarding the Group's procedures on managing credit risk, reference is made to note 4.3.

2.4 TRADE AND OTHER PAYABLES

Trade and other payables	31.12.2022	31.12.2021
Trade payables	2 730	1 614
Withholding payroll taxes and social security	1 915	1 023
Intercompany payables	372	
Other current liabilities	4 630	1 386
Contract liabilities	-	3 181
Total trade and other payables	**9 647**	**7 203**

3.1 PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK thousand)	Plant and machinery	Fixtures and fittings	Total
Cost as at 31 December 2020	**1 106**	**206**	**1 311**
Additions	-	553	553
Disposals	- 300	-	- 300
Currency translation effects	-	-	-
Cost as at 31 December 2021	**806**	**759**	**1 565**
Additions		426	426
Disposals			-
Currency translation effects			-
Cost as at 31 December 2022	**806**	**1 185**	**1 991**
Depreciation and impairment as at 31 December 2020	**-**	**9**	**9**
Depreciation for the year	161	143	304
Impairment for the year	644	14	659
Disposals	-	-	-
Currency translation effects	-	-	-
Depreciation and impairment as at 31 December 2021	**806**	**166**	**971**
Depreciation for the year		343	343
Impairment for the year			-
Disposals			-
Currency translation effects			-
Depreciation and impairment as at 31 December 2022	**806**	**509**	**1 315**
Net book value:			
At 31 December 2021	**-**	**593**	**593**
At 31 December 2022	**-**	**676**	**676**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

4.1 FINANCIAL INSTRUMENTS

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	31.12.2022
Assets				
Accounts receivables		196		196
Other current financial assets*			41 416	41 416
Cash and cash equivalents	4.3	32 443		32 443
Total financial assets		**32 639**	**41 416**	**74 055**
Liabilities				
Trade and other payables	2.4	2 730		2 730
Total financial liabilities		**2 730**		**2 730**

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	31.12.2021
Assets				
Accounts receivables		544		544
Other current financial assets*			77 347	77 347
Cash and cash equivalents	4.3	96 100		96 100
Total financial assets		**96 644**	**77 347**	**173 991**
Liabilities				
Trade and other payables	2.4	1 614		1 614
Total financial liabilities		**1 614**		**1 614**

* Other current financial assets consist of fixed income fund, managed by SKAGEN and Storebrand. The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.7.

4.2 EQUITY AND SHAREHOLDERS

Issued capital and reserves:

Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position
At 31 December 2020	**23 178**	**3,00**	**69 534**
Share split 1:1 000	23 178 000	0,003	69 534
Share issue 22 February 2021	340 000	0,003	1 020
Share issue 9 April 2021	17 108 640	0,003	51 326
Share issue 6 August 2021	98 000	0,003	294
At 31 December 2021	**40 724 640**	**0,003**	**122 174**
Share issue 10 March 2022	375 040	0,003	1 125
At 31 December 2022	**41 099 680**	**0,003**	**123 174**

All shares are ordinary and have the same voting rights and rights to dividends.
Reconciliation of the company's equity is presented in the statement of changes in equity.

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2022	Total shares	Voting rights
Olesen Consult HVAC AS	5 900 000	14,4 %
J.P. Morgan SE	2 605 802	6,3 %
Ole Morten Olesen	1 650 000	4,0 %
Nordnet Livsforsikring AS	1 553 658	3,8 %
JPMorgan Chase Bank, N.A., London	1 516 166	3,7 %
Lithinon AS	1 423 706	3,5 %
Nesse & Co AS	1 360 000	3,3 %
Beyond Centauri AS	1 243 371	3,0 %
LIN AS	1 215 275	3,0 %
Monsunen Forvaltning AS	1 146 158	2,8 %
Idland	1 122 540	2,7 %
Jakob Hatteland Holding AS	1 000 000	2,4 %
DNB BANK ASA	993 659	2,4 %
The Northern Trust Comp, London Br	958 275	2,3 %
Investore Finans AS	883 147	2,1 %
Clearstream Banking S.A.	838 396	2,0 %
OKS Consulting AS	805 000	2,0 %
Sortun Invest AS	677 715	1,6 %
Glomar AS	627 715	1,5 %
Platypus Invest AS	489 656	1,2 %
Other shareholders	13 089 440	31,8 %
Total	**41 099 679**	**100,0 %**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1 to the group financial statements.

4.3 CASH AND CASH EQUIVALENTS

	31.12.2022	31.12.2021
Bank deposits, unrestricted	31 269	95 479
Bank deposits, restricted	1 174	621
Total cash and cash equivalents	**32 443**	**96 100**

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

4.4 FINANCIAL INCOME AND EXPENSES

Finance income	2022	2021
Interest income	3 346	673
Other finance income	816	347
Gain on foreign exchange	14 189	915
Total finance income	**18 351**	**1 935**

Finance costs	2022	2021
Interest expenses	-	-
Loss on foreign exchange	9 687	128
Other finance expenses	250	-
Total finance costs	**250**	**128**

Interest income represents mainly interest income on cash deposits and intercompany loans.

Gain / loss on foreign exchange relates to unrealized foreign exchange gain/loss on intercompany loans.

Other finance income is related to income from other current financial assets.

4.5 SHARE BASED PAYMENTS

The company has a share option programme covering management and key employees. The option vests in the range of 0 - 2.5 years. The options may be exercised during the subsequent six months.

The fair value of the options is set on the grant date and expensed over the vestion period. NOK 4.2 million and NOK 0.8 million have been expensed in 2022 and 2021 respectively.

	2022	2021
Outstanding options 1 January	**550 000**	**1 000 000**
Options granted	2 830 000	-
Options forfeited	-257 850	-
Options exercised	-362 150	-450 000
Outstanding options 31 December	**2 760 000**	**550 000**
Exercisable at 31 December	0	0

The strike price for the options exercised was NOK 0.003 for 2022 and 2021. The share price at the time of exercise in 2022 was NOK 22.98,compared to the weighted average share price at time of exercise in 2021 of NOK 5.8.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 2.08 years (2021: 0.48 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 - 20.00 (2021: NOK 0.003).

Assumptions used to determine fair value of share option grants:

Assumptions used to determine fair value of share option grants:

	2022	2021
Weighted average fair values at the grant date	13,12	-
Dividend yield (%)	-	-
Expected volatility (%)	47%	80%
Risk–free interest rate (%)	3%	1
Expected life of restricted shares (years)	3,5	5-7
Weighted average share price (NOK)	26,34	5,79
Model used	BSM	BSM

The expected volatility reflects historical volatility for similar listed entities. Share based payment valuations are considered level 3 measurements.

5.1 TAXES

Current income tax expense:	**2022**	**2021**
Tax payable	-	-
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	**-**	**-**

Deferred tax assets:	**31.12.2022**	**31.12.2021**
Property, plant and equipment	- 671	- 779
Right-of-use assets	-	-
Other current assets	-	-
Liabilities	-	-
Losses carried forward (including tax credit)	-67 593	-20 206
Basis for deferred tax assets:	**-68 265**	**-20 985**
Calculated deferred tax assets not recognize	-15 018	-4 617
Net deferred tax assets in the statement of financial position	**-**	**-**
Deferred tax liabilities recognised in the statement of financial position	**-**	**-**

6.1 INTERESTS IN OTHER ENTITIES

The subsidiaries of Desert Control AS are presented in the following table:

Subsidiaries 31 December 2022	**Office**	**Currency**	**Shareholding and the Group's voting ownership share**	**Net loss** (NOK thousands)	**Net loss** (NOK thousands)
Desert Control Americas, Inc.	USA	USD	100%	-12 357	-13 236
Desert Control Middle East FZ LLC	Abu Dhabi, UAE	AED	100%	0	0
Desert Control Middle East LLC	Abu Dhabi, UAE	AED	49%*	-32 992	-45 742

*Desert Control owns 49% of Desert Control Middle East LLC Abu Dahbi, with the remaining 51% being held by a local corporate sponsor due to local regulations requiring sponsorships. A shareholder agreement secures Desert Control 100% of any dividends and 100% of the controlling stake in Desert Control ME.

The Company has the following investments in joint ventures

Entity	**Country**	**Ownership interest**
Mawarid Desert Control LLC	**UAE**	**49%**

See note 6.1 to the group financial statement additional information regarding the joint venture.

7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

See note 7.1 to the group financial statement for an overview of remuneration to management and the Board of Directors

7.2 RELATED PARTY TRANSACTIONS

Related parties are major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1 to the group financial statements. Shares, share options held by management and the Board are also summarised in note 7.1.

There is an interest-bearing loan from Desert Control AS to Desert Control Middle East LLC amounting to NOK 67 million at 31 December 2022. The loan is set to be repaid within 31 December 2024. There is an interest-bearing loan from Desert Control AS to Desert Control Americas amounting to NOK 21 million at a 31 December 2022. The loan is set to be repaid within 31 December 2024.

At 31 December 2022, intercompany balance amounts to NOK 486k payable to Desert Control Middle East LLC.

7.3 TRANSITION FROM IFRS TO SIMPLIFIED IFRS

These financial statements, for the twelve months period ended 31 December 2022 are the first the company has prepared in accordance with simplified International Financial Reporting Standards (IFRSs). There are no accounting effects following the transition from full IFRS.

7.4 EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

There have been no significant adjusting events subsequent to the reporting date.

Statement of the Board of Directors and the CEO of Desert Control AS

The Board of Directors and the CEO have today considered and approved the report for Desert Control AS ("Company") and Desert Control Group ("Group") for the 2022 calendar year and as of 31 December 2022. The consolidated financial statements have been prepared in accordance with IFRS as well as additional information requirements as per the Norwegian Accounting Act.
The financial statements for the Company have been prepared in accordance with simplified application of International Financial Reporting Standards ("IFRS") in accordance with the Norwegian Accounting Act § 3-9.

We confirm to the best of our knowledge that:

- The 2022 financial statements for the Company and the Group have been prepared in accordance with applicable accounting standards
- The information in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and result as of 31 December 2022
- The report for the Company and the Group gives a true and fair view of the Company's development, performance, and financial position, and includes a description of the principal risks and uncertainty factors facing the Company and the Group
- That the Board report for 2022 has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a

Sandnes, 27.04.2023

Knut Nesse
Chair

Brage Wårheim Johansen
Board Member

Maryne Lemvik
Board Member

Geir Hjellvik
Board Member

Marit Røed Ødegaard
Board Member

Kristian P. Olesen
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Auditors report

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Desert Control AS

Opinion

We have audited the financial statements of Desert Control AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

Emphasis of matter

We draw attention to note 7.3 Future outlook and going concern in the consolidated financial statements, which describes the uncertainty regarding the Group's ability to continue as a going concern for the next 12 months. Our opinion is not modified in respect of this matter.

Other matters

The financial statements for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 27 April 2022.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stavanger, 27 April 2023
ERNST & YOUNG AS

Gunn Helen Askvik

Gunn Helen Askvik
State Authorised Public Accountant (Norway)




Our core values

Leadership
Inspirational pro-active execution

Growth-mindset
Curious and solution-oriented

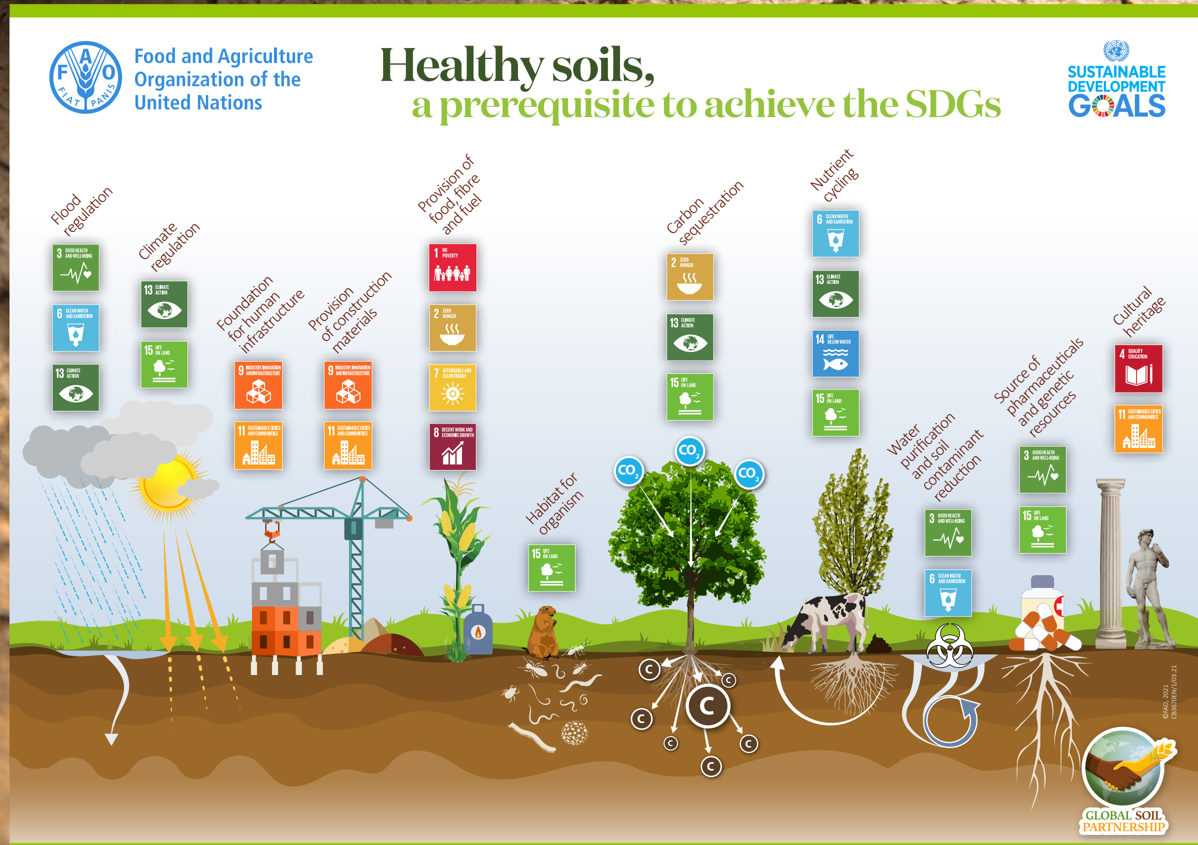
Innovation
Challenge status-quo | create value

Integrity
Keep promises | grow strong relationships

Contribution
Desire to make everything better

Diversity
Inclusive | open-minded | respectful

Healthy soil is the foundation for life on earth!



Food and Agriculture Organization of the United Nations (FAO – website: www.fao.org/world-soil-day/en/)

Making Earth Green Again

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DESERT CONTROL