

# Desert Control Q3 2023 Company Update Presentation (Transcript)

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Welcome to the Desert Control Q3 2023 and Year-to-Date Company Update webcast. It will cover the Q3 Report and Interim Financial Results for the fiscal period that ended on September 30<sup>th</sup>, 2023. Some updates for Q4-2023 will also be included.

A Q&A session will follow the presentation, and we invite you to use the Q&A function to submit questions.

Before the official Q3 Update Agenda, Desert Control's CEO will share a brief company presentation as an introduction.

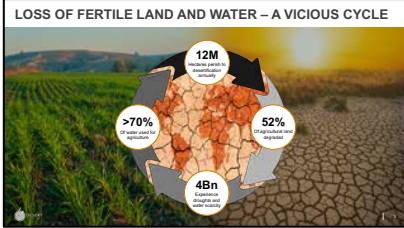
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Thank you for attending our Q3 Company update.

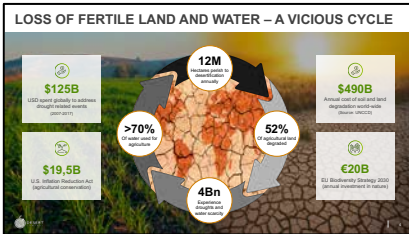
I will kickoff by sharing a brief recap about our company and mission before we dive into the Q3 update.

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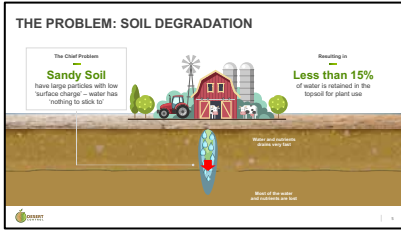
Our planet is drying, fertile land is dying, and water scarcity accelerates in a vicious cycle.

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The annual cost of droughts and land degradation is hundreds of billions of dollars, and governments invest heavily in initiatives for drought mitigation and safeguarding agriculture, which now needs more than 70% of all available freshwater on earth.

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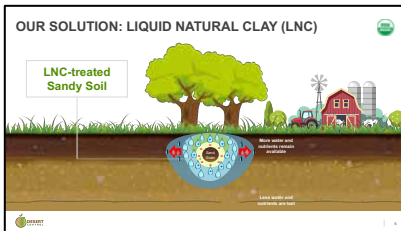


When soil turns to sand, even more water is needed to grow food.

Less than 15% of water is retained in the soil long enough for plants to use of it.

Most is quickly lost to deep drainage, causing nutrient wash-out, increasing costs, lost productivity, and declining food quality.

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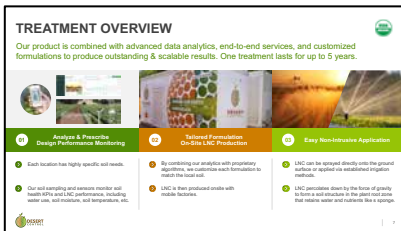


Liquid Natural Clay (LNC) is a nature-based solution to upgrade sandy soils.

The liquid coats each grain of sand with an electrical charge that holds onto water like a magnetic force, creating a soil structure that retains water and nutrients like a sponge.

One treatment can last for five years – or longer with maintenance programs.

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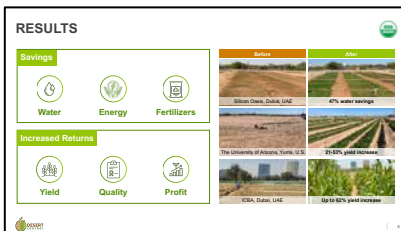


Projects to implement LNC start by analyzing the target area, defining objectives, and how to measure results.

Next, a prescription for soil improvement is developed based on the current condition of the target area, which is used to formulate a tailored LNC solution to achieve the desired objectives.

Finally, the LNC is produced on-site using mobile processing units and applied to the land areas by traditional irrigation methods – all delivered as a turnkey soil improvement project along with various monitoring and maintenance services.

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LNC saves up to 50% on water and energy usage while improving nutrient efficiency, leading to higher yields, better plant quality, and increased profit.

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**PROVEN, PATENTED, AND VALIDATED**

- 12+ years of R&D, 5+ years of field validation and pilots
- Independent validation by ICBA & University of Arizona
- Patents achieved in 48 countries

Partnerships (Achieved as of July 2023): LIMONERA, H-EART, HULAMINDA, etc.

Global recognition: 35-50% Water Savings, 8-62% Increased Yield (crop dependent), 2-4X ROI per hectare (crop yield optimization, 50kg-100g/ha)

LNC Achieved Documented Results in 20+ Field Implementations & Data-Driven Pilots in UAE & USA.

LNC is backed by 12 years of R&D followed by five years of independent validation and field pilots with consistent results.

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**MARKET**

- Annual cost of soil and soil degradation costs: \$490B
- USD spent globally to address drought-related issues: \$125B
- Water and arable land market (2023): \$2.5B
- Water and arable land market (2027): \$6B
- Compound Annual Growth Rate (CAGR): +14%
- Additional Growth Driven by Carbon Credits: LNC enhances sandy soil capacity to sequester 8 tons CO2

Initial target markets: U.S. Southeast & US/Middle East - sandy soil areas affected by drought, desertification, and water scarcity.

The water and fertile land crisis is global, and LNC has potential to solve arid/semi-arid soil areas worldwide in multiple sectors:

- AGRICULTURE
- LANDOWNERS
- GOVERNMENTS AND NGOs

The total available market is huge, and our initial focus is the United States and the Middle East, targeting sandy soil areas affected by drought and water scarcity. Initial clients are farmers, landowners, and governments.

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**BUSINESS MODEL**

Turnkey Soil Ecosystem Regeneration for Sandy Soil

**Scalability:**

- Fast Lead Times:** 2-3 months (vs. 18 months for traditional LNC Production Capacity (i.e., fabrication of bricks, containers, etc.))
- Building On-Demand:** Limited capital obligations prior to receiving an order; Mitigating risk, conserving capital flexibility and facilitating scaling

**Multiple Revenue Streams:**

- Turnkey Projects:** Business-as-usual, repeat licensing opportunities for UAE & US/Middle East
- Service Model:** Design, implementation, top-up & service
- Licensing Model (Middle East):** Royalty-based on volume - \$/ha
- Digital Subscriptions:** Analytics, design, consulting, maintenance & farm support
- Consulting:** Offering on-demand soil health analysis, training & support
- Business Intelligence:** Data collection, analysis, metrics, integration & automation

Our business model is direct sales with turnkey projects priced by hectare or number of trees combined with various services for additional revenue streams.

For the Middle East, we operate through partners under a royalty-based license model.

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**Agenda / Q3 2023**

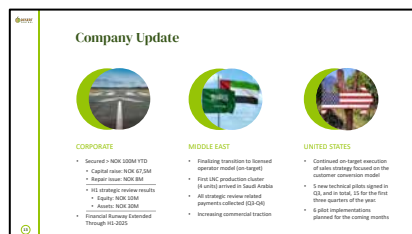
Q3 2023 REPORT AND FINANCIALS, LEONARD'S COMPANY PRESENTATION

- Q3 & YTD Highlights
- Financials
- Outlook
- Questions and answers

Once again, thank you for joining us!

I am Ole Kristian Sivertsen, CEO of Desert Control, and I will take us through today's agenda, which has four parts:

- First, I will present **Q3 Highlights**
- Next, Leonard, will take us through the **Financial Update**
- Then, I will share a brief **Outlook** before we close with the **Q&A session**



We will structure the Q3 Company Update into 3 sections: Corporate – Middle East – and United States.

### Starting with Corporate updates:

- Desert Control concluded the third quarter with a solidified financial position following a capital raise of 67.50 million Norwegian kroner and a subsequent repair issue with an additional 8 million Norwegian kroner .
- The capital raise, combined with the outcomes of the preceding strategic review, has secured more than 100 million Norwegian kroner in additional liquidity for the company.
- Along with cost-efficiency gains, this secures funding for the company’s commercialization phase through the first half of 2025.

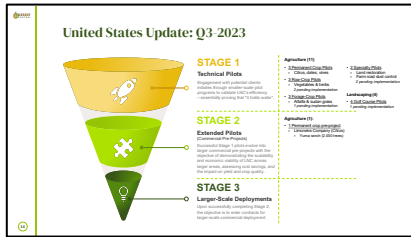
### Turning to the Middle East:

- The shift to the licensed operator model in the Middle East is making headway, bringing operational efficiencies and market responsiveness.
  - Key technical and operational personnel have transitioned to the partners, with a limited team remaining in the UAE Desert Control entity to support the final steps of the transition.
  - For Desert Control, these are primarily administrative steps related to dissolving the remaining local entity in the UAE. This is anticipated to be completed before the end of the year.
  - LNC production units acquired by the partners have been handed over.
  - Our Middle East partner in the UAE is anticipating starting some LNC projects by the end of the year, potentially both in the UAE and Saudi Arabia.
  - Our Saudi-based partner is also making progress. As previously communicated, they anticipate turning fully operational in Q1.
    - Their LNC production units have arrived in KSA, and employees are onboarding.
- All payments from the partners related to the strategic review are settled and collected, and the process of transitioning to the licensed operator model is progressing as planned
- The new Go-to-Market model is already driving increased commercial traction in the United Arab Emirates and Saudi Arabia.
  - Regulatory approvals obtained in the UAE have fostered new opportunities and are opening more doors, especially in the public sector.
- The Middle East license partners share an optimistic outlook for sales growth in the upcoming quarters, and several promising opportunities with large entities are progressing with increasing commercial traction.

### Next, let's turn to the United States:

- In the U.S., the team has diligently executed the sales strategy focused on the customer conversion model.
- Five new technical pilots were signed during Q3, marking three consecutive quarters of on-target achievement with 15 pilot projects signed.
- The pipeline is developing positively to maintain this performance, with the strategy pivoting towards converting technical pilots to extended deployments in 2024.
- Efficiency gains in LNC production and application have grown steadily through the year, with projects spanning an increasing diversity of crops and use cases.
- R&D initiatives and the ongoing 5-year program with the University of Arizona are also continuing with positive momentum.
- As we in Q4 enter the high season for the agriculture sector in Yuma, 6 remaining technical pilots are being planned for LNC implementation.

Before we move on, let’s take a look at the U.S. pilot portfolio overview.



As of Q3-2023, we have 15 signed stage-1 technical pilots and one extended pilot in the stage-2 commercial pre-project phase.

The 15 pilots include 11 within agriculture and 4 within landscaping.

**Let me summarize the current status of the stage-1 technical pilots:**

- LNC is deployed for nine pilots, now in the monitoring and performance evaluation phase.
- The six remaining pilots are targeted for LNC application in the coming weeks and months, along with additional pilots being signed in Q4.
- Two of the pilots on golf courses have already requested proposals for extended stage-2 pilot deployments.
- Conversion of technical pilots to stage-2 pre-projects is anticipated to commence in the new year.
- Based on current observations, we anticipate the most robust business cases to be initially within high-value permanent crops and landscaping.
- The forage market comprises commodity crops that are highly price-sensitive and exposed to significant market fluctuation. Key drivers will likely be directly linked to the availability of water.
- Most pilots for the row-crop market are still pending LNC implementation in the coming weeks and months as we enter the Yuma winter vegetable cultivation season. Several of these include high-value specialty crops where water use efficiency, primarily for yield increase, will be the key driver.
- Another area of high interest is the possibility of converting low-value farming land limited to low-value crops (such as forages) into soil that can support the cultivation of high-value specialty crops such as vegetables. We are working on developing specific pilot programs to explore this opportunity in more detail.

**Turning to the stage 2 extended pre-project with Limoneira Company:**

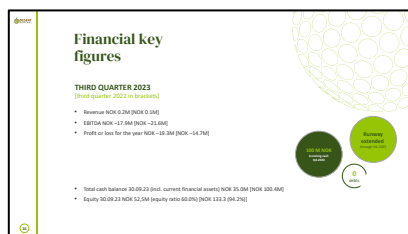
- Limoneira started as a stage-1 technical pilot with 50 trees at the Yuma ranch in July 2022.
- In December 2022, we deployed LNC for a commercial pre-project with 2000 trees at the Cadiz ranch, followed by 2000 trees at the Yuma ranch in Q1 this year.
- As you know, Limoneira discontinued their farming operation in Cadiz earlier this year – and the focus of the LNC commercial pre-project consolidated into the Yuma ranch.
- There may still be an opportunity for LNC in Cadiz when a potential new client enters a lease for the ranch. In the meantime, our focus with Limoneira remains on Yuma.
- The performance of the LNC-treated land has consistently shown solid results for soil moisture data and water retention, and the relationship with the Limoneira team has continued to be a strong partnership with shared values and objectives.
- This year's harvest has been late due to a colder-than-normal start of the season, challenged by extreme temperature peaks in the later part of the year. Harvest data is, therefore, still being collected and analyzed.
- Around the end of the year, we anticipate concluding dialogues with Limoneira, assessing the future scale and timing of extended LNC deployment for the Yuma ranch.
- As previously communicated, the future LNC roll-out for Limoneira, based on the positive outcome of the pre-project, is anticipated to develop in stages.
- For the Yuma ranch, such stages are likely to be linked to specific “fallowing programs” and the associated schedule for replanting of acreage as blocks gradually come out of the fallow program.
- Sustainability is a vital cornerstone for Limoneira, and their entire team is at the forefront of how to make the best lemons in the most sustainable way - which is what the team lives and breathes every day.
- We look forward to reaching conclusions about the next steps with Limoneira in the near future.

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We will now turn to the Financial update, and I pass it over to our CFO, Leonard Chaparian

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Thank you all for joining us today for our quarterly update presentation.

The figures are detailed in the financial report published earlier this morning. These financial key figures will be covered in more detail in the following slides.

The company closed the third quarter with a positive cash balance of 35.0 Million Norwegian Kroner and has no interest-bearing debt.

Furthermore, it's important to note that in relation to the agreements in the Middle East, along with a capital increase and repair issue, we are set to receive approximately 100 million NOK in the fourth quarter. To date, we have already secured 92 million NOK of this amount.

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The table is titled "Consolidated statement of comprehensive income" and shows data for Q3 2023 and Q3 2022. The columns are labeled "Q3 2023" and "Q3 2022". The rows include various financial metrics such as Revenue, EBITDA, Profit or loss, and Total comprehensive income.

	Q3 2023	Q3 2022
Revenue	6,264	5,146
EBITDA	-17,884	-21,686
Profit or loss	-18,384	-14,794
Total comprehensive income	35,004	300,486

In the context of the company gradually ceasing its operations in the Middle East, the quarterly report has distinguished between the financials for ongoing and discontinued operations. Additionally, the comparative figures have been revised for a more clear comparison for the readers

As evident, the activity in the Middle East, represented in the discontinued operations cost line, has experienced a substantial reduction and is expected to persist in its decline throughout Q4.

The finance income relates mostly to unrealized foreign exchange gains on intercompany loans.

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**Consolidated statement of financial position**

	Q3 2023	Q3 2022	Q3 2021
<b>Assets</b>			
Intangible assets	0	0	0
Property, plant and equipment	6	6	6
Financial assets	126	126	126
Subsidiaries and related parties	0	0	0
<b>Current assets</b>	132	132	132
Intangible assets	0	0	0
Property, plant and equipment	6	6	6
Financial assets	126	126	126
Other current financial assets	0	0	0
Current liabilities	4	4	4
Assets held for sale	0	0	0
<b>Total assets</b>	132	132	132

Following our phasing out the Middle East operations we present the Assets held for sale as a distinct line item in the balance sheet.

Other current financial assets consist of fixed-income funds. And as mentioned earlier, cash and funds in total amounts to 35.0 million Norwegian Kroner as of the end of the third quarter of 2023, and we have no interest-bearing debt.

However as mentioned earlier we will in Q4 receive approximately 100 million NOK. At this moment we have already secured 92 million of this amount.

This is impacting our runway that now is extended through the first half of 2025.

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**Consolidated statement of financial position (continue)**

	Q3 2023	Q3 2022	Q3 2021
<b>Equity</b>			
Share capital	0	0	0
Share premium	0	0	0
Retained earnings (losses)	52,500	52,500	52,500
Other equity	0	0	0
<b>Total equity</b>	52,500	52,500	52,500
<b>Non-current liabilities</b>			
Other non-current liabilities	0	0	0
<b>Total non-current liabilities</b>	0	0	0
<b>Current liabilities</b>			
Current bank liabilities	0	0	0
Trade and other payables	0	0	0
Other current liabilities	0	0	0
<b>Total current liabilities</b>	0	0	0
<b>Total liabilities</b>	0	0	0
<b>Total equity and liabilities</b>	52,500	52,500	52,500

The overall reported equity of 52,5 million equals 60% of total assets.

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**Consolidated statement of cash flows**

	Q3 2023	Q3 2022	Q3 2021
<b>Operating activities</b>			
Net income from continuing operations	0	0	0
Depreciation and amortization	0	0	0
Changes in trade and other payables	0	0	0
Changes in other current liabilities	0	0	0
Net cash from operating activities	0	0	0
<b>Investing activities</b>			
Acquisition of property, plant and equipment	0	0	0
Acquisition of subsidiaries	0	0	0
Net cash from investing activities	0	0	0
<b>Financing activities</b>			
Issuance of shares	0	0	0
Net cash from financing activities	0	0	0
<b>Net change in cash and cash equivalents</b>	0	0	0
Cash and cash equivalents at start of period	0	0	0
Cash and cash equivalents at end of period	0	0	0

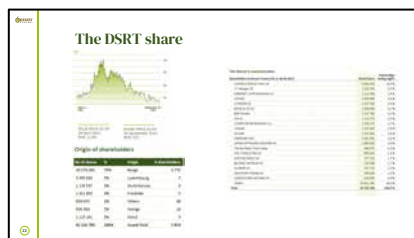
The cash flow from operating activities, now divided at the starting point between continued and discontinued operations, represents the operational profit and loss, adjusted for depreciation and amortization, underscoring the company's current cash-oriented status. In addition, we have received approximately 1 Million NOK in tax refund from the Research Council of Norway and about 3 million NOK as a partial payment from H-EART regarding the agreements mentioned earlier.

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**Consolidated statement of cash flows (continue)**

	Q3 2023	Q3 2022	Q3 2021
<b>Operating activities</b>			
Net income from continuing operations	0	0	0
Depreciation and amortization	0	0	0
Changes in trade and other payables	0	0	0
Changes in other current liabilities	0	0	0
Net cash from operating activities	0	0	0
<b>Investing activities</b>			
Acquisition of property, plant and equipment	0	0	0
Acquisition of subsidiaries	0	0	0
Net cash from investing activities	0	0	0
<b>Financing activities</b>			
Issuance of shares	0	0	0
Net cash from financing activities	0	0	0
<b>Net change in cash and cash equivalents</b>	0	0	0
Cash and cash equivalents at start of period	0	0	0
Cash and cash equivalents at end of period	0	0	0

The cash flow from this section shows the release of funds to bank deposits to support the operations. Furthermore, in this quarter, the company completed a private placement with H-EART totaling 10 million NOK. No other significant sources of capital have been added through the third quarter. For further information regarding the Q3 Financials, please see the full Q3 report.

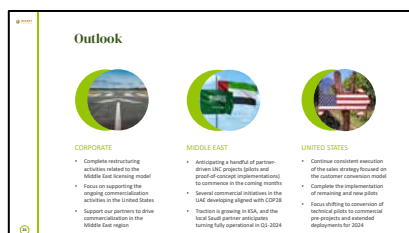


The development of the Desert Control share and the Top 20 shareholders are updated at our webpage [www.desertcontrol.com/investors](http://www.desertcontrol.com/investors) [Investor — Desert Control](#)

It should be noted that due to the significant capital raise carried out in Q4, there has been a material change in the company's ownership structure, which is not reflected in the Q3 report.



We will now turn to outlook before we close with the Q&A



I will structure Outlook into the same 3 sections as the company update: Corporate – Middle East – and United States.

**Starting with Corporate:**

- The final administrative steps of dissolving the remaining company entity in the UAE are anticipated to be completed by the end of the year.
- Going forward, the restructured organization and corporate functions will focus on supporting the ongoing commercialization activities in the United States and supporting our partners to drive commercialization in the Middle East.

**Moving on to the Middle East:**

- The new Go-to-Market model is already driving increased commercial traction, and a handful of partner-driven LNC projects (pilots and proof-of-concept implementations) are anticipated to commence in the coming months.
- Several initiatives in the UAE are also developing, aligned with the upcoming COP28.
- Traction is growing in KSA, and the local Saudi partner anticipates turning fully operational in Q1-2024.
- As mentioned previously, the Middle East license partners share an optimistic outlook for sales growth in the upcoming quarters, and several promising opportunities with large entities are progressing with increasing commercial traction.



### Turning to the United States:

- Moving forward, Desert Control’s strategic focus in the United States shifts toward advancing technical pilots into subsequent developmental stages, evolving towards larger-scale commercial deployments.
- Our objective is to convert around 50% of stage 1 technical pilots to stage 2 extended commercial pre-projects and to convert around 50% of stage 2 projects into larger-scale stage 3 deployments.
- Conversion of technical pilots secured this year is anticipated to commence in 2024.
- Around the end of the year, we anticipate concluding dialogues with Limoneira, assessing the future scale and timing of extended LNC deployment for the Yuma ranch.

### In summary:

- The financial foundation secured in Q3 allows us to remain focused on accelerating commercialization within the initial target markets of the Middle East and the United States.
- We had a strong 3rd quarter, strengthening the overall outlook.
- We have brought in more than 100 million Norwegian kroner, putting the company on a strong footing for all of 2024 and the first half of 2025.
- Going forward, we remain steadfast in our commitment to drive market adoption of Liquid Natural Clay by building trust through demonstrating the ability to improve both sustainability and the bottom line for clients within agriculture and landscaping.

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We will now start the Q&A session. We invite you to use the Q&A function for questions, and we will also answer questions that have been submitted by email.

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**Cautionary note**  
DISCLAIMER RELATED TO FORWARD-LOOKING STATEMENTS

The presentation contains forward-looking information and information relating to the business, performance, and other matters that may be important to investors. The results of Desert Control's actual performance and results may differ from those anticipated.

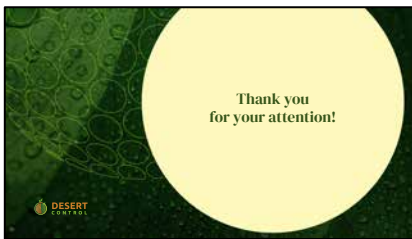
Forward-looking statements are statements that are not historical facts and may be identified by words such as "will", "may", "could", "intend", "expect", "anticipate", "estimate", "forecast", "project", "target", and similar expressions, and forward-looking statements are based on current expectations, estimates, and projections, which involve some inherent future events, and are subject to risks, uncertainties, and assumptions, and may be subject to change without notice.

Forward-looking statements are not guarantees of future performance, and they represent only a forecast of future performance. Actual performance may differ from the forecasted performance, and there may be material differences between the actual performance and the forecasted performance.


The information enclosed is subject to the disclaimer contained in the forward-looking section of the Q3 2023 Report and Year-to-Date Company Update.

Before we close the session, please take note of the disclaimer relating to forward-looking statements.

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Thank you  
for your attention!



Thank you for joining the Desert Control Q3 2023 Company Update Presentation.