

# Desert Control Q2 2023 and Year-to-Date Company Update Presentation (Transcript)

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Welcome to the Desert Control Q2 2023 and Year-to-Date Company Update webcast. It will cover the Q2 Report and Interim Financial Results for the fiscal period of the first half year that ended on June 30, 2023. Some recent updates for Q3-2023 will also be included.

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

Before the official Q2 and First Half 2023 Update Agenda, Desert Control's CEO will share a brief company presentation as an introduction.

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I'm Ole Kristian Sivertsen, CEO of Desert Control, and I'm excited to share our vision of making earth green again!

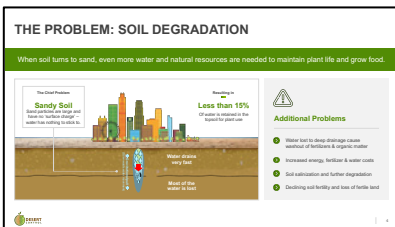
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Our planet is drying, fertile land is dying, and water scarcity accelerates in a vicious cycle.

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 maintain life and grow food.

In sandy soils, less than 15% of water is retained for plant use. Most is quickly lost to deep drainage, causing fertilizer wash-out, increasing costs, and lost productivity.

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**OUR SOLUTION: LIQUID NATURAL CLAY (LNC)**

How the LNC treatment of sandy soil works:

- LNC is made up of clay and mineral particles with electrical charges.
- When poured on sandy soil, LNC's electrical charges coat sand grains and aggregate them into larger particles.
- Because water molecules are naturally attracted to electrical charges, they are held onto the LNC.
- Larger particles form bridges between soil grains, increasing soil fertility capabilities.

**Reducing Water Use by up to 50% - Effectively Solving Sandy Soil's Water and Fertility Issues**

Liquid Natural Clay is a nature-based solution to upgrade sandy soils with a larger storage bank. The liquid coats each grain of sand with a thin layer of minerals with electrical charges that hold onto water like a magnetic force, creating a soil structure that retains water and nutrients like a sponge.

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

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**TREATMENT OVERVIEW**

Our product is combined with advanced data analytics, end-to-end services, and customized formulations to produce outstanding & scalable results. One treatment lasts for up to 5 years.

- Analyze & Prescribe**  
Design Performance Monitoring
- Produce LNC**  
On-Site LNC Production
- Apply**  
Non-invasive Application

- Each location has highly specific soil needs.
- Our soil analysis and services monitor soil health, pH and LNC performance, including water use, and fertilizer and micronutrient use.
- By combining our analytics with proprietary algorithms, we combine each formulation to match the local soil.
- LNC is produced on-site with mobile processing units.
- LNC can be applied directly onto the ground surface or applied via established irrigation methods.
- LNC penetration occurs by the force of gravity. To reach soil moisture in the plant root zone, the water vapor and nutrients like a sponge.

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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**RESULTS**

**Savings**

- Water
- Energy
- Fertilizers

**Increased Returns**

- Yield
- Quality
- Profit

Global Case Studies:

- Saudi Arabia, UAE, UAE: 47% water savings
- The University of Adelaide, York, U.S.A.: 25-28% yield increase
- USA, UAE, UAE: 50 to 62% yield increase

Once applied, LNC saves up to 50% on water and energy usage while improving fertilizer efficiency, leading to higher yields, better crop 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

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

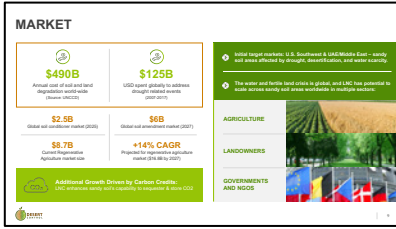
Partnership (Achieved as of July 2023):

- LIMONERA
- H-EART
- Global recognition

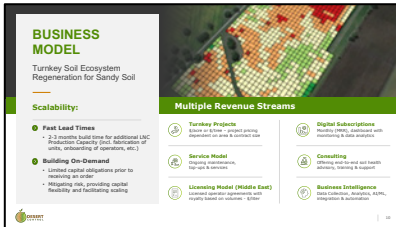
Key Performance Indicators:

- 35-50% Water Savings
- 8-62% Increased Yield (per acre/hectare)
- 2-4X ROI per treatment (vs. 10-15 years)

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



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.



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

We are transitioning to a royalty-based licensed operator model for the Middle East, and I will share more details about this under the Company Update in a few slides.



Thank you for joining us for our Company Update.

Before we move on, I want to take a moment to officially welcome Leonard Chaparian, who joined us at the end of July, succeeding Marianne Vika Bøe as CFO for Desert Control. We also thank Marianne for her service to the company over the last year. 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 Q2 and Year to Date 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 Q2 and Year-Date Company Update into three sections.

Corporate – United States – and Middle East.



Under Corporate Highlights, we will cover the recent strategic review in detail.

We will also highlight the significant improvements achieved in unit economics and, finally, highlight some additional achievements that have increased the global awareness of Desert Control.



On April 27, Desert Control announced initiating a strategic review to optimize long-term shareholder value and secure funding to pursue the Company's growth strategies. The objective was to explore a broad range of strategic alternatives, including financing, structural, and business development opportunities. The strategic review focused on assessing our business structure for the Middle East.

**Background:** Our previous model in the Middle East functioned through a Joint Venture, Mawarid Desert Control (MDC), focused solely on sales and distribution of LNC. Desert Control maintained two additional local companies to produce LNC and sell it to MDC as its sole distributor.

**The Challenge:** After the initial projects, it became clear that the split responsibilities between MDC and DCME induced complexities and significant overheads that diluted operational and capital efficiency. Further, the model represented financial constraints for Desert Control as we were bearing all CAPEX investments for LNC production assets.

**The Solution:** The solution we concluded is to transition to a licensed operator model where partners take on the complete responsibilities for the production, sales, and delivery of LNC in the local markets. This eliminates complexities, streamlines the value chain, and reduces overhead by removing the need for local Desert Control entities. The licensing model further shifts CAPEX requirements for production assets to the operators, creating a strong incentive to drive sales for utilization of assets as a win-win.

The strategic review was announced completed on July 3.

Mawarid Holding Investment (MHI) entered an agreement to become a fully licensed operator in the UAE with aspirations to expand operations in the Middle East. MHI further acquires Desert Control's LNC production entity in the UAE, procures an LNC production cluster, and assumes full ownership of the MDC JV.

The result of the transition unlocks cash, streamlines the value chain, and reduces annual operational costs for Desert Control by more than 15 million kroner by eliminating the need for local entities and reducing overheads.

Further, Holistic Earth Advanced Regeneration Technologies (H-EART) entered an agreement to become a fully licensed operator for the production, sales, and delivery of LNC in Saudi Arabia. H-EART procures an LNC production cluster and anchors the partnership with a 10 million kroner investment in Desert Control shares through a private placement.

The outcome of the strategic review secures Desert Control approximately 40 million kroner in cash. Reducing annual running costs by >15 million kroner, and further reduces CAPEX pressure by shifting the investment in production assets to the licensed operators.

The transition to the new licensed operator model for the Middle East is anticipated to be finalized during the 2nd half of this year.



The next point I want to bring your attention to is the significant improvement in unit economics.

LNC production capacity more than doubled for all deployed units, enabled by continuous innovation efforts during the year's first half.

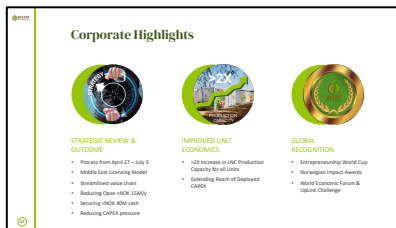
This means we can produce twice as many liters of LNC per hour with the same equipment and manpower as before, which enables larger projects while optimizing and extending the reach of already deployed CAPEX.



For the United States, the improved production capacity is now anticipated to be sufficient to support our pipeline of Technical Pilots and Commercial Pre-Projects. Future CAPEX for additional capacity can thereby be linked directly to signed contracts for large-scale deployments.

For the Middle East, the capacity will be 4+3 units in the UAE and 4 units in Saudi Arabia.

Our innovation efforts will continue to strive for further increases in capacity and unit economics going forward.



As we conclude the Corporate Highlights, let me also point out three achievements that contribute to strengthening the global recognition of Desert Control:

On March 12, Desert Control won the Sustainability and Environment Award at the Entrepreneurship World Cup Global -- in competition with 30,000 entrepreneurs and start-ups worldwide.

We were also named Green Impact of the Year at the Impact Awards in Stavanger on April 20.

And on June 29, Desert Control was announced winner in the Uplink Challenge for Food Ecosystems in Arid Climates and named Top Innovator by the World Economic Forum, which garnered significant global attention.



Moving on to the United States, where we will focus on three main areas:

- Sales execution and progression on securing pilots
- Operational milestones
- And regulatory certification

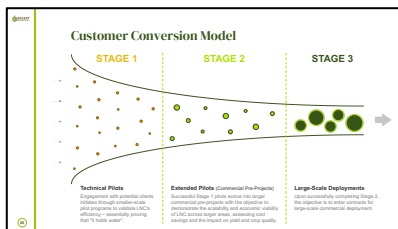


The U.S. team demonstrated steadfast progress and continued to deliver on target, securing five new pilots each quarter.

These pilots demonstrate the versatile capabilities of LNC, showcasing its effectiveness across the agriculture, turf and landscaping segments and for an increasing variety of crops, plants, and application methods.

The team also executed a successful implementation of the commercial pre-project with Limoneira in Yuma at the start of the year and continuously track LNC performance with positive indications. Harvest is anticipated to take place during October.

Further, we recently concluded the hire of a new salesperson who is joining this week. The team maintains a positive outlook to continue delivering on target for the second half with a sharp focus on executing in alignment with our customer conversion model.



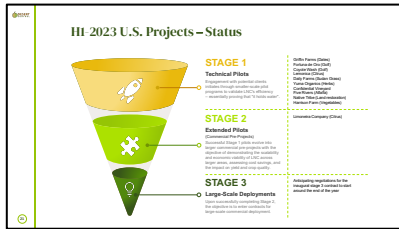
Our customer conversion model aims to build trust with clients through 3 stages: respecting soil as the lifeline of their livelihood.

In stage 1, engagement with potential clients is initiated through smaller-scale pilot programs to validate LNC's efficiency – essentially proving that "it holds water" on the client's ground.

Successful Stage 1 pilots evolve into larger commercial pre-projects to demonstrate the scalability and economic viability of LNC across larger areas, assess cost savings, and impact on yield and crop quality.

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

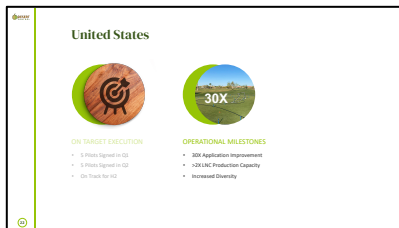
The objective is to secure at least five new pilot projects per quarter, targeting a >50% conversion to larger deployments. This strategy underscores our commitment to grow LNC adoption at the speed of trust.



Pilots in the U.S. are progressing, and we maintain our target of >50% conversion to larger projects.

Engagements with clients continue to highlight the need for soil and water conservation as a linchpin for the sustainability of their businesses.

Around the end of the year, we anticipate starting negotiations for the inaugural large-scale contract.



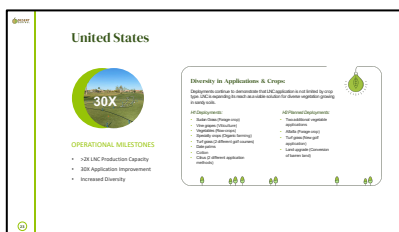
On the operational side, we continue improving operational efficiency. Pilots have been executed consistently, ensuring cost-effectiveness.

The overall efficiency and scalability of LNC application have improved by 30X since July 2022.

This progress, coupled with more than doubled production capacity, signifies an important milestone for U.S. operations.

Larger projects can now be accommodated without additional asset investment, preserving capital while still growing operations.

The increase in the diversity of crops and application methods further strengthens the potential going forward.



The experience gained during the first half demonstrates that LNC application is not limited by crop type - and we continue proving viability for any vegetation, crops, and plants growing in sandy soils.

Multiple deployments have further demonstrated the value of applying LNC through existing irrigation systems – enhancing scalability potential, reducing labor requirements, and driving down costs.

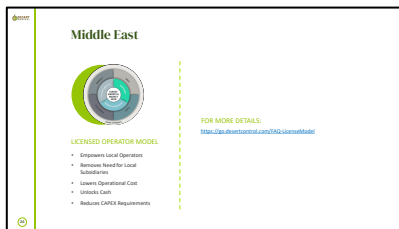


The final point to highlight under the U.S. update is that we obtained regulatory certification with OMRI in compliance with the USDA National Organic Program for LNC, as announced on June 15.

This certification extends the addressable market in the United States and validates LNC as a viable solution for the growing organic farming market.



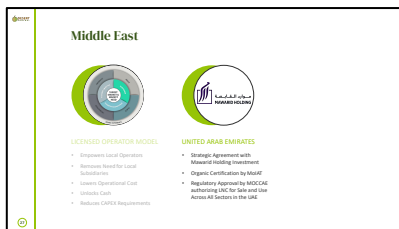
Now, turning to the Middle East where, the main topics are the transition to the licensed operator model, UAE progress and the partnership with Mawarid, and the new venture with H-EART for Saudi Arabia.



We covered the Licensed Operator Model in detail under the Corporate Updates.

I just want to highlight that this program is, for now, dedicated to the Middle East region, with MHI and H-EART as the selected partners.

Launching this program with MHI as an established partner, which is also a large and well-established corporation – combined with H-EART being an entrepreneurial start-up venture – will give us valuable experience and learnings that, over time, can help shape our future go-to-market strategy.



In addition to the strategic agreement with Mawarid, we also achieved important milestones on regulatory approvals for LNC in the UAE.

- On March 16, LNC received certification for use in organic farming from the Ministry of Industry and Advanced Technologies (MoIAT)



- Then, on July 13, LNC received final approval from the Ministry of Climate Change & Environment (MOCCA).E).
- This final regulatory approval authorizes LNC for sale and use under the category of organic fertilizers and soil amendments across all sectors in the UAE.

The MOCCA authorization, combined with recent certifications, will support future endeavors to obtain necessary regulatory approvals for LNC across the Middle East and other countries and markets we aim to serve.

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Before we move on, let me also share a brief recap on Mawarid Holding Investment (MHI).

MHI is a group headquartered in Abu Dhabi with 11,000 employees and dedicated subsidiaries with significant experience and market shares in sectors such as forest and wildlife management, landscaping, nature reserve operation, agriculture, food security, and management of natural resources.

Mawarid Desert Control was incorporated on March 29, 2022, as a joint venture between MHI and Desert Control to be the exclusive sales and distribution vehicle for LNC in the UAE with non-exclusive rights for sales and delivery across the broader Middle East region.

Several LNC pilots have been conducted with MHI throughout the partnership while working on the processes to obtain final regulatory approvals from the Ministries as an important milestone to gain traction on commercialization, especially considering the significant market share MHI represents in the public and governmental sectors.

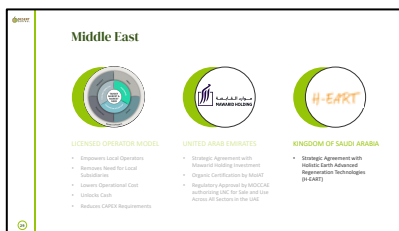
After launching the J.V. model with MDC, we also learned that a mixed model where responsibilities for interdependent steps in the value chain were split between MDC and DCME had several challenges. The structural setup also created significant overheads that diluted operational and capital efficiency.

We are very excited to have resolved these challenges by streamlining the value chain with the transition to the licensed operator model - and finally having obtained the regulatory approvals for the sale and use of LNC across all sectors in the UAE.

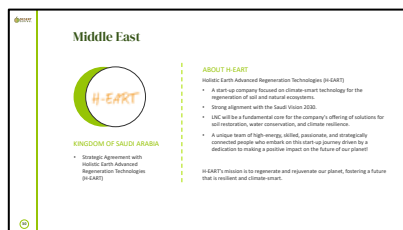
We anticipate completing the transition to the licensed operator model during the second half of the year, which, in addition to unlocking business potential, also significantly improves cost efficiencies.

MHI will, going forward, be in a strong position to commercialize LNC as the exclusive partner for the production, sales, and delivery of LNC in the UAE. MHI also maintains non-exclusive rights for sales and delivery of LNC across the broader Middle East region as an important part of the group's diversification and growth strategy.

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That brings us to the Kingdom of Saudi Arabia, where we now launch our second partnership with Holistic Earth Advanced Regeneration Technologies (H-EART).



H-EART is, as mentioned, a new start-up venture, and they are committed to becoming a driving force for sustainable initiatives aligned with the Saudi Vision 2030 – and to build it on the foundation of our Liquid Natural Clay innovation.

The founding team is a unique group of high-energy, skilled, passionate, and strategically connected people who all embark on this journey driven by a contagious passion to make a positive impact on the future of our planet!

The company is in its founding stage; it will still take some months to get operational, and we have high expectations for what they will achieve in the future.

We are excited to welcome H-EART to the extended Desert Control family!



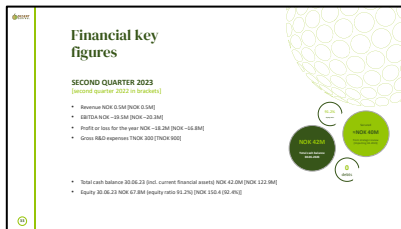
In summary, Desert Control had a successful Q2.

- We concluded the strategic review and initiate the transition to a licensed operator model for the Middle East.
- We delivered on target for the United States and achieved significant efficiency improvements, including more than doubling the production capacity of all deployed LNC production units.
- Key regulatory approvals and certifications were obtained in the UAE and the United States.

The Company closes the quarter with an outlook for significant cost reductions, improved capital efficiency, and strengthened liquidity.



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



Thank you all for joining us today for our quarterly results presentation. It's truly a pleasure to be here with you as the new interim CFO. I'm thrilled to have the opportunity to share our latest financial insights and strategic updates with you.

The figures are shared in detail 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 second quarter with a positive cash balance of NOK 42.0 Million and has no interest-bearing debt.

In addition, we would like to highlight that the results of our strategic review enabled us to secure a private investment of 10 million NOK this month.

Furthermore, we are expecting ≈30 million NOK in connection with the sale of assets and the transactions related to the licensing agreements in the Middle East.

**Consolidated statement of comprehensive income**

	2023 Q2	2023 Q1	2022 Q2	2022 Q1
Revenue	0.5	0.5	0.5	0.5
Cost of sales	(0.1)	(0.1)	(0.1)	(0.1)
Operating expenses	(18.5)	(18.5)	(18.5)	(18.5)
Operating income	(18.1)	(18.1)	(18.1)	(18.1)
Other income	0.1	0.1	0.1	0.1
Profit before tax	(18.0)	(18.0)	(18.0)	(18.0)
Income tax	0.0	0.0	0.0	0.0
Profit after tax	(18.0)	(18.0)	(18.0)	(18.0)
Other comprehensive income	0.0	0.0	0.0	0.0
Profit for the period	(18.0)	(18.0)	(18.0)	(18.0)

The revenue recognized in the quarter mainly relates to the commercial pre-project and technical pilot projects in the U.S. Furthermore, we derive additional income from the temporary assignment of our personnel to our joint venture in the Middle East.

This quarter's expenses have seen a 15% reduction compared to the budgeted costs.

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

**Consolidated statement of financial position**

	2023 Q2	2023 Q1	2022 Q2	2022 Q1
Assets				
Current assets	42.0	42.0	42.0	42.0
Non-current assets	0.0	0.0	0.0	0.0
Total assets	42.0	42.0	42.0	42.0
Liabilities				
Current liabilities	0.0	0.0	0.0	0.0
Non-current liabilities	0.0	0.0	0.0	0.0
Total liabilities	0.0	0.0	0.0	0.0
Equity	42.0	42.0	42.0	42.0

In connection with the modifications to the financial model in the Middle East, we have made an adjustments to the balance sheet. In accordance with IFRS regulations, we have presented the assets held for sale on a separate line in the balance sheet.

Other current financial assets consist of fixed-income funds. And as mentioned earlier, cash and funds in total amounts to NOK 42.0 million as of the end of the second quarter of 2023, and we have no interest-bearing debt.

It's worth mentioning that following our strategic review, we have gained additional liquidity and will reduce operational costs in the UAE (once the transition to the new licensing model is implemented).

This is expected to impact our runway notably. We project the runway to extend until mid-next year.

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

	2023	2022
<b>Assets</b>		
Current assets	1,000,000	1,000,000
Property, plant and equipment	1,000,000	1,000,000
Intangible assets	1,000,000	1,000,000
Goodwill	1,000,000	1,000,000
Other non-current assets	1,000,000	1,000,000
<b>Total assets</b>	<b>5,000,000</b>	<b>5,000,000</b>
<b>Equity</b>		
Share capital	1,000,000	1,000,000
Reserves	4,678,000	4,678,000
<b>Total equity</b>	<b>5,678,000</b>	<b>5,678,000</b>
<b>Liabilities</b>		
Current liabilities	1,000,000	1,000,000
Non-current liabilities	1,000,000	1,000,000
<b>Total liabilities</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>Total equity and liabilities</b>	<b>7,678,000</b>	<b>7,678,000</b>

The overall reported equity of 67,8 million equals 91% of total assets.

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**Consolidated statement of cash flows**

	2023	2022
<b>Operating activities</b>		
Profit before depreciation and amortization	1,000,000	1,000,000
Depreciation and amortization	1,000,000	1,000,000
Change in working capital	1,000,000	1,000,000
<b>Operating cash flows</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(1,000,000)	(1,000,000)
Acquisition of intangible assets	(1,000,000)	(1,000,000)
Proceeds from disposal of property, plant and equipment	1,000,000	1,000,000
<b>Investing cash flows</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	1,000,000	1,000,000
Proceeds from bank borrowings	1,000,000	1,000,000
Repayment of bank borrowings	(1,000,000)	(1,000,000)
Dividends paid	(1,000,000)	(1,000,000)
<b>Financing cash flows</b>	<b>0</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>2,000,000</b>	<b>2,000,000</b>

The cash flow from operating activities represents the operational profit and loss, adjusted for depreciation and amortization, emphasizing the company's present cash-oriented condition.

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

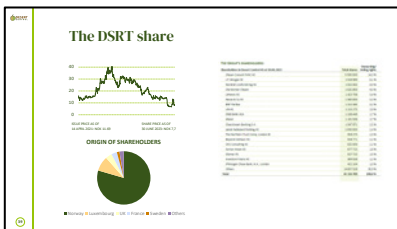
	2023	2022
<b>Operating activities</b>		
Profit before depreciation and amortization	1,000,000	1,000,000
Depreciation and amortization	1,000,000	1,000,000
Change in working capital	1,000,000	1,000,000
<b>Operating cash flows</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(1,000,000)	(1,000,000)
Acquisition of intangible assets	(1,000,000)	(1,000,000)
Proceeds from disposal of property, plant and equipment	1,000,000	1,000,000
<b>Investing cash flows</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	1,000,000	1,000,000
Proceeds from bank borrowings	1,000,000	1,000,000
Repayment of bank borrowings	(1,000,000)	(1,000,000)
Dividends paid	(1,000,000)	(1,000,000)
<b>Financing cash flows</b>	<b>0</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	<b>2,000,000</b>	<b>2,000,000</b>

The cash flow from this section shows a larger release of funds to bank deposits to support the operations.

No other significant sources of capital have been added through the second quarter.

For further information regarding the Q2 Financials, please see the full Q2 report.

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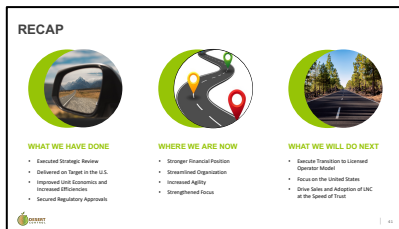
The development of the Desert Control share and the Top 20 shareholders are updated at our webpage [www.desertcontrol.com/investors](http://www.desertcontrol.com/investors) Investor — Desert Control

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

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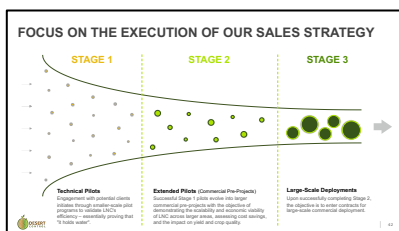
Let me start with a brief recap of what we have done so far this year.

We have executed and concluded our strategic review with a highly successful outcome. At the same time, we continued delivering on target in the U.S., significantly improved unit economics and secured key regulatory approvals.

Based on this, we are entering the second half with a stronger financial position, a streamlined organization, and a strengthened focus.

Looking ahead, we will now complete the transition to the licensed operator model and empower our partners to develop the Middle East while we double down our focus on the United States to drive sales and adoption of LNC at the speed of trust.

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We remain committed to our sales strategy focused on the customer conversion model.

We also maintain our objective of securing at least five new pilots per quarter, targeting a 50% conversion to larger deployments.

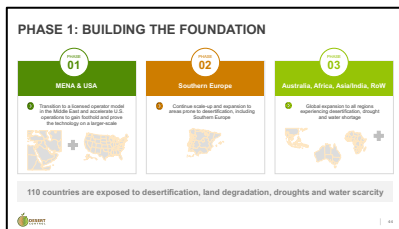
Around the end of the year, we anticipate starting negotiations for the inaugural large-scale contract, marking a pivotal milestone for LNC commercialization in the United States.



Executing this sales strategy focused on our customer conversion model will build a growing pipeline of pilots and pre-projects, as indicated by the light green color in this chart.

Our ambition of a >50% conversion to larger projects will build a growing pipeline of large-scale deployments, as indicated by the dark green color in the chart.

By delivering on these objectives, we aim to reach cashflow-positive revenue contribution from projects in 2024 and secure a good handful of contracts for large-scale deployments going into 2025, representing a solid EBITDA-positive business.



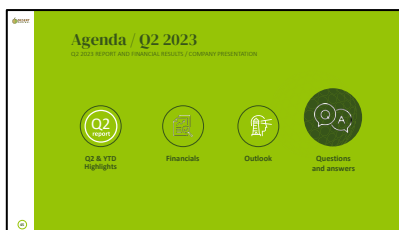
The Outlook for PHASE-1 of our business plan remains promising, bolstered by the strategic initiatives and advancements in the first half of 2023.

We continued to execute on target in the United States, increased LNC production capacity more than twofold, and extended the reach of deployed CAPEX.

The transition to a licensed operator model for the Middle East unlocks approximately 40 million kroner in cash. It lowers annual running costs by more than 15 million kroner, extending our runway to around mid-next year, significantly strengthening the foundation of our vision.

I want to close by thanking our team for their amazing dedication and invaluable contributions. I also extend thanks to our customers, partners, investors, and all of you who follow and support our journey.

THANK YOU!



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.

**Q&A session** (Summarized written answers to questions raised for the Q&A)

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**Q:** When will you become more transparent when it comes to the cost of application and the cost for your customers? Today, it's somewhat hard to evaluate the company.

**A:** When it comes to the cost of application, I can refer to what we already have shared in today's update in continuously improving efficiencies on both application and production of LNC, and also the objectives that we shared of reaching cash flow positive contribution from projects in 2024 and the basis for reaching a solid EBITDA positive business in 2025. It's too early to go into detail on each and every project because there will be differences from project to project.

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**Q:** When can we expect revenue from the UAE?

**A:** We already have some minor revenue from the UAE, but as mentioned earlier – we will now transition to the license operator model with several transition activities before we anticipate revenue contribution steadily growing from the region. Also, regarding H-EART, as I mentioned, they are in the founding stage, and it will take some months to get them operational, but we have high expectations for what they will achieve in the future.

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**Q:** At the current burn rate, how are you planning to handle Q4'23?

**A:** As mentioned in the financial update, the result of the strategic review extends our runway into mid-next year, so Q4 2023 is well covered, and this also aligns well with our objectives connected to continued development with our customer conversion model going forward.

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**Q:** Have you experienced plants dying or being damaged after applying LNC?

**A:** We have been working as Desert Control with LNC deployment for many years, and these innovative journeys are always a learning experience. If you haven't had a couple of failures or done something wrong along the way, you haven't learned anything. So yes, there have been in the early part of our journey. We needed to understand LNC formulation better to get it right, get it properly into the ground, and avoid creating a layer on the top that would kill everything. As we have progressed in our recent year, we haven't killed anything; we have advanced our knowledge base of formulation and experience skills to develop with better precision.

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**Q:** How far have you come with applying LNC in the U.S. pilots signed in Q1?

**A:** For pilots signed in Q1 and Q2 – a good portion of those are already applied with LNC throughout the first half. We have 3 of those signed pilots that are still lining up for application in the coming months.

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**Q:** Are the results from the pilots in the U.S. as expected regarding water saving and yield increase?

**A:** The results of the pilots, as mentioned in the company update, are progressing well. We continuously monitor LNC performance, and the moisture retention and impact on water savings are showing positive indications. When it comes to yield, it is still too early for definitive conclusions; that's why we wait until after harvest seasons, and many of these annual crops that we have embarked on will be harvested around October. So, we are looking forward to a very exciting fourth quarter where we will be getting results on yield as well. Yield is an essential factor for the financial value of LNC for the clients, in addition to water savings, savings on energy costs, better efficiencies on nutrient-use, fertilizers etc.

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**Q:** At the time of the IPO, it was estimated that payback time for a cluster would be around 1-1.5y once at full utilization. Following the efficiency gains announced today and accounting for other changes since the IPO, what is the current estimated payback time for a cluster?

**A:** Compared to what we shared with the IPO, we maintain those expectations at full utilization of a cluster, so naturally, a doubling of capacity has a significant impact on this. I will not go into the exact details of the changes on the impact, but it has a significant impact.

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**Q:** Earlier, you emphasized a minimum of 5 pilots per quarter; you have delivered quite an accurate 5 pilots per quarter so far. Is this progress going as fast as expected? Can we expect an accelerated speed of pilots and pre-projects in the coming months?

**A:** The signing of these pilots has gone on target as expected. When it comes to accelerating it, we are also balancing it so that we can line them up for successful implementation to ensure that we get proper projects into the ground with a high likelihood of converting these customers to larger-scale projects. Going forward, we will have more capacity on the production side, and we have improved our ability to apply and deliver these pilots. Our sales capacity is also strengthening with the new salesperson on board, but we maintain our objective of five new pilots per quarter for the second half.

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**Q:** Can you say something about the total size/sales potential of the pilots in rough terms

**A:** Regarding the total sales potential of the pilots in rough terms, each of them are unique cases, and they have varying sizes of opportunities. As you know, we have a couple of golf courses, for example, where the potential is to go from these small technical pilot areas to cover the entire green areas eventually. The farms are also of different sizes. I will not, at this point, share accumulated numbers in hectares or acres, but as we start to convert pilots into stage 2 and close up on stage 3, we will share more details on the total potential of the pipeline we are working on.

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**Q:** Can you elaborate why not more pilots have gone from pilot stage 1 to 2 in the USA yet? When can we expect it?

**A:** When it comes to the time it takes from stage 1 to stage 2 for these pilots, there are individual objectives of what the clients want to see in terms of how LNC would give them value; some of them might have a connection to seeing how the response is on trees as we have a good portion of “permanent crops”, and these have a long development time. We will see more pilots for faster-growing crops now in the second half of this year, especially with the Yuma area moving towards the winter season. This is the super busy season for vegetable crops for Yuma, as the region represents 90% of the production of leafy green vegetables for the U.S. and Canada in that part of the year. So, we will see more pilots that will have shorter stage time to move forward. Also, remember from the time of signing pilots, it takes a little bit of time before we implement them. As mentioned earlier, we have a couple of pilots from the first half that are still up for LNC deployment now in the coming months, so that's as expected and progressing in accordance with the plan.

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**Q:** How did the agreement with HEART come in place, how will this newly established company (May 2023) plan to get into operation in the Kingdom of Saudi Arabia (KSA)? Is the plan to work with already established companies that will run operation as HEART seem to only be established to own the rights to apply LNC in KSA

**A:** As I said in the Company update, H-EART is a start-up venture with a group of people in Saudi Arabia with a strong dedication to being a driving force in sustainable initiatives aligned with the Saudi Vision 2030. It is a unique group of people who are very strategically connected in Saudi Arabia. It is a start-up; as I mentioned, they are in the incorporation stages and phases to set up a full-fledged company that will be delivered according to their name: Holistic Earth Advanced Regeneration Technologies, where LNC will be a fundamental part of their platform. We are very happy that they reach out to us in planning this initiative for Saudi Arabia.

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**Q:** What is the logistics behind the clay you're using? How far does it have to be transported, and how much does it cost per liter?

**A:** We have mobile production units where we produce on the sites where we deliver LNC treatment projects at the client location where we access the water locally and only bring in the clays and the minerals we need for the LNC process. This makes the process very sustainable and allows us to source the raw materials as close to where we are operating as possible. That means that we always find the nearest lowest-cost options for minerals and ingredients for LNC, which varies by state in the U.S. In the Middle East, we have some local resources available. When it comes to the exact cost, and how much that equals per liter, it depends on formulation, so we will not share a specific figure on that part.

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**Q:** Can you give us an estimate of the minimum number of trees on the Limoneira project if you successfully landed a commercial contract?

**A:** As mentioned in previous quarterly updates regarding Limoneira, we expect things to develop toward the larger scale deployment in staged phases. We are also assessing other opportunities with them. But if I were to look at the initial potential that we would look at isolated for the Yuma operation, I would be targeting 50,000 trees in the first stage and then assessing more opportunities through the years of that staged development in our relationship with Limoneira.



**Q:** Are there any updates on the MoU with Amarenco? Was it expected progression this summer?

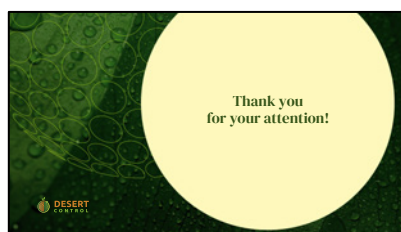
**A:** With Amarenco, we signed the MoU last year. The focus for Amarenco in the first stage has been on Southern Europe, and they also have some significant business initiatives in Egypt and the Middle East. But what we looked at was Southern Europe, where there have been ongoing initiatives to identify energy plants, being solar plants (PV sites), where there could be opportunity and potential for this. We are dedicating our financial resources now to accelerate the United States. We maintain an open relationship and dialogue with Amarenco to engage in future development for entering Southern Europe. Still, before we move to that stage, we need to identify larger projects to justify the investment in both CAPEX and the set-up of operation and local requirements for a new region before we embark on that, which can still take some time.

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

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Thank you for joining the Desert Control Q2 2023 and Year-to-Date Company Update.