



Report

2023





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Desert Control concludes strategic review, initiates transition to licensed operator model for the Middle East, delivers on target for the United States, and obtains key regulatory approvals. The Company closes the quarter with an outlook for significant cost reductions, improved capital efficiency, and strengthened liquidity.



Desert Control Second Quarter and First Half 2023 Report

Sandnes, Norway, 24 August 2023 – Desert Control AS (DSRT) announces its second quarter and first half report for the fiscal period ending 30 June 2023.

Desert Control concludes strategic review, initiates transition to licensed operator model for the Middle East, delivers on target for the United States, and obtains key regulatory approvals. The Company closes the quarter with an outlook for significant cost reductions, improved capital efficiency, and strengthened liquidity.



Q2 and First Half 2023 Highlights

CORPORATE

- Completed strategic review, initiating the transition to a licensed operator model for the Middle East, unlocking cash, and reducing annual operating costs by >NOK 15M.
- Secured NOK 10M from a private placement and an additional ≈NOK 30M cash from asset sales and licensed operator transactions (impacting H2-2023 financials).
- Achieved >2X increase in production capacity for all existing LNC production units, significantly improving unit economics and extending the reach of deployed CAPEX.
- Received global recognition, won sustainability and environment award at the Entrepreneurship World Cup Global Finals, named Green Impact of the Year at Norwegian Impact Awards, and announced Top Innovator by the World Economic Forum and winner in the Uplink Challenge for Food Ecosystems in Arid Climates.

UNITED STATES

- Secured ten new pilots in H1-2023, delivered on target, and expanded LNC application capabilities across various new crops and segments.
- Steadily progressing toward conversion to larger deployments. Around the end of the year, the Company anticipates to start negotiations for the inaugural large-scale contract.
- Obtained regulatory approval with OMRI certification in compliance with the USDA National Organic Program for LNC in the United States.
- Achieved 30X improvement in efficiency and scalability of LNC application since July 2022. Demonstrated further operational efficiencies, including applying LNC through irrigation systems and streamlining the execution of pilot projects.

MIDDLE EAST

- Signed strategic licensed operator agreement for Mawarid Holding Investment (MHI) to take full responsibility for the production, sales, and delivery of LNC in the United Arab Emirates (UAE).
- Securing significant cost reductions by removing the need for local subsidiaries in the UAE following the transition to the licensed operator model.
- Achieved final regulatory approval by the Ministry of Climate Change and Environment (MOCCAE) authorizing LNC for sale and use across all sectors in the UAE.
- Entering the Kingdom of Saudi Arabia through the signing of strategic licensed operator agreements with H-EART.

Webcast presentation for Desert Control Q2 and First Half 2023 Report and Interim Financial Results is hosted on 24 August 2023 at 10:00 AM, Central European Time (CET).

Register: <https://go.desertcontrol.com/Q2-2023>



Financial Key Figures

FINANCIAL HIGHLIGHTS SECOND QUARTER 2023

[second quarter 2022 in brackets]

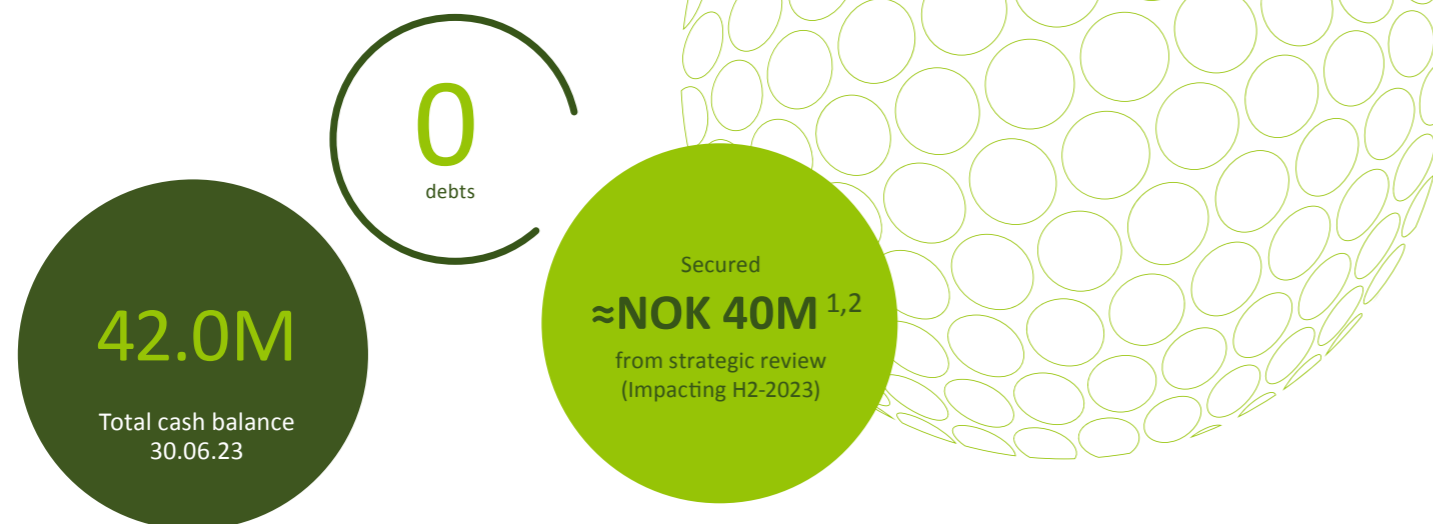
- Revenue NOK 0,5 M ²
[NOK 0,5 M]
- EBITDA NOK -19,5 M
[NOK -20,3 M]
- Net Income NOK -18,2 M
[NOK -16,8 M]
- Gross R&D expenses
NOK 0,3 M [NOK 0,9 M]

FINANCIAL HIGHLIGHTS FIRST HALF 2023

[first half 2022 in brackets]

- Revenue NOK 2,3 M ²
[NOK1 M]
- EBITDA NOK -42,9 M
[NOK -43,1 M]
- Net Income NOK -37,5 M
[NOK -40,5 M]
- Gross R&D expenses
NOK 0,6 M [NOK 2,9 M]

- Total cash balance 30.06.23 (bank deposits and funds)
NOK 42,0 M ¹ [NOK 122,9 M]
- Equity 30.06.2023 NOK 67,8 M (equity ratio 91,2 %)
[NOK 150,4 (92,4 %)]



¹ Private placement of NOK 10M by issue of 1M DSRT shares to H-EART as strategic anchoring of the licensed operator partnership for KSA will be reflected in the cash balance as of August 2023.
² =NOK 30M (USD 2.8M) revenues from initial licensed operator agreement transactions and asset sales are anticipated to be recognized in H2-2023

Company Update

STEADFAST PROGRESS, UNLOCKING POTENTIAL, AND MAKING STRATEGIC ADVANCEMENTS



CORPORATE UPDATES

Desert Control started 2023 with a sharp focus on executing a sales strategy based on a customer conversion model. The U.S. team achieved its targets of securing five new pilot projects per quarter and is steadily progressing toward conversion to larger deployments. Around the end of the year, the Company anticipates to start negotiations for the inaugural contract for large-scale deployment, marking a pivotal milestone for LNC commercialization in the United States.

The second quarter marked the launch of a strategic review process, resulting in the transition to a royalty-based licensed operator model for the Middle East. The new

model empowers local partners to take on complete responsibilities for LNC production, sales, and delivery. This restructuring optimizes cost efficiency and strengthens Desert Control's focus on R&D, innovation, strategic development, and global growth.

The strategic shift reduces operating costs by removing the need for local subsidiaries in the Middle East. The licensing model further allows for more efficient capital allocation as the local operators take ownership of LNC production units and associated future asset investments. The outcome of the strategic review secures ≈NOK 30M cash from asset sales and licensed operator transactions and an additional NOK 10M from a private placement.

Transitioning to a licensed operator model for the Middle East further aims to reduce Desert Control's annual operating costs by >NOK 15M. The new model optimizes operational efficiency, reduces overhead, lowers financial expenditure, and enables a shift of resources to strengthen the development of the Company's business in the United States.

For more details about the licensed operator model, please refer to the Frequently Asked Questions (FAQ) document published on 1 August 2023: <https://go.desertcontrol.com/FAQ-LicenseModel>

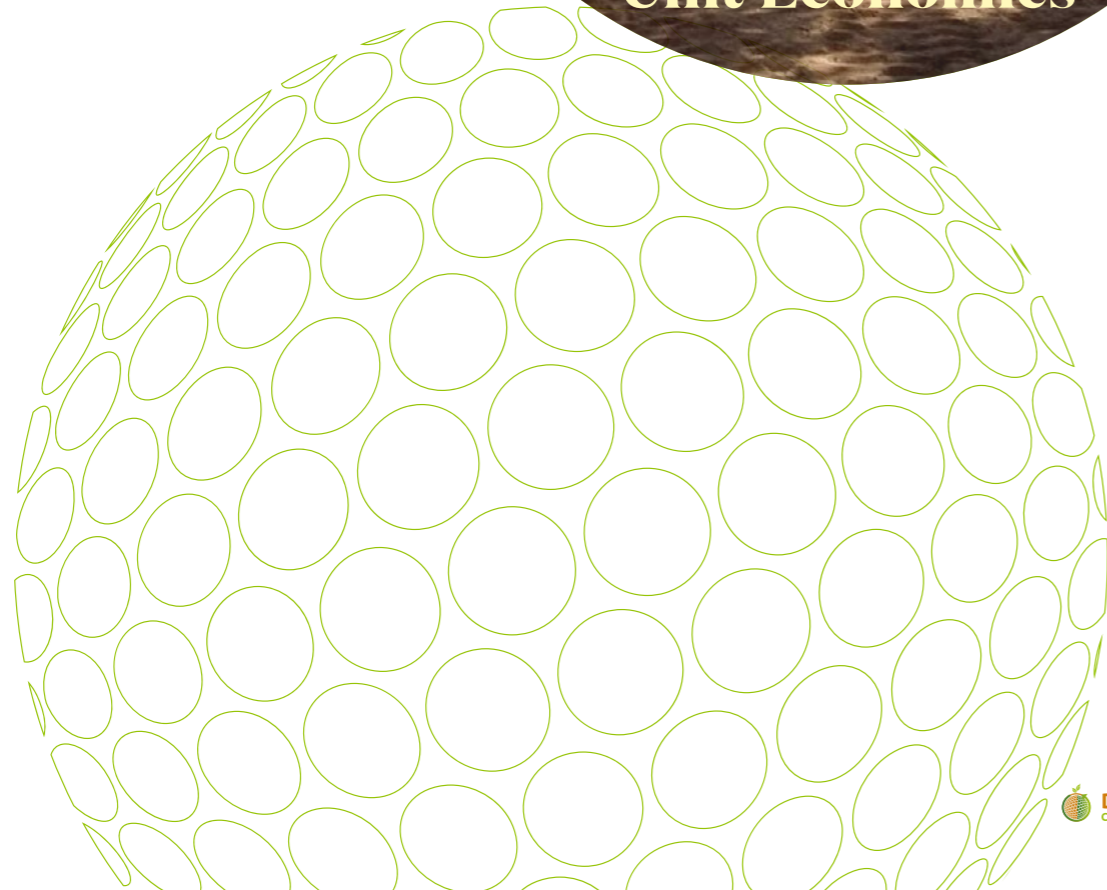
OPERATIONAL ADVANCEMENTS: BOOSTING UNIT ECONOMICS AND FINANCIAL FLEXIBILITY

LNC production capacity increased by >2X for all deployed units, enabled by continuous innovation efforts during the first half of 2023. Boosting the capacity of existing units enables larger projects while optimizing already deployed CAPEX. Based on these improvements, the current LNC production capacity in the U.S. is anticipated to be sufficient to support the pipeline of Technical Pilots and Commercial Pre-Projects. Future CAPEX for additional LNC production units can be linked directly to signed contracts for large-scale deployments.

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



Improved Unit Economics



Obtaining Regulatory Approvals & Certifications



UNITED STATES

- LNC received OMRI approval for use in compliance with the USDA National Organic Program, announced on 15 June 2023: <https://go.desertcontrol.com/OMRI>

UAE

- LNC received its first certification for use in organic farming by the Ministry of Industry and Advanced Technologies (MoIAT) in the UAE on 16 March 2023: <https://go.desertcontrol.com/UAE-MoIAT>
- LNC received final certification by the Ministry of Climate Change & Environment (MOCCA) on 13 July 2023. This regulatory approval authorizes LNC for sale and use as organic fertilizers and soil amendment solutions across all sectors in the UAE: <https://go.desertcontrol.com/UAE-MOCCA>



Gaining Global Recognition & Awareness: Spotlighting Desert Control's Achievements



ENTREPRENEURSHIP WORLD CUP:

- Desert Control won the prestigious Sustainability and Environment Award at the Entrepreneurship World Cup Global Final in Riyadh on 12 March 2023: <https://go.desertcontrol.com/ewc>

WORLD ECONOMIC FORUM & UPLINK:

- Desert Control was announced winner of the Uplink Challenge for Food Ecosystems in Arid Climates and named Top Innovator by the World Economic Forum at the Annual Meeting of the New Champions in Tianjin on 29 June 2023: <https://go.desertcontrol.com/WEF23>

NORWEGIAN IMPACT AWARDS:

- Desert Control was named Green Impact Company of the Year at the Impact Awards in Stavanger on 20 April 2023: <https://go.desertcontrol.com/GreenImpact23>



UNITED STATES

Desert Control demonstrated steadfast progress and continued to deliver on target, securing five new pilots each quarter in the U.S. These pilots exhibit the versatile capabilities of LNC, showcasing its effectiveness across the agriculture, turf and landscaping segments for an increasing variety of crops, plants, and application methods.

The U.S. team continues improving operational efficiency. Pilots have been executed consistently, ensuring cost-effectiveness. Multiple deployments further demonstrated the value of applying LNC through existing irrigation systems – enhancing scalability, reducing labor requirements, and driving down costs. The overall efficiency and scalability of LNC application have improved by 30X since July 2022.

This progress, coupled with >2X increase in production capacity, signifies an important milestone for the U.S. operations. Larger projects can now be accommodated without additional asset investment, preserving capital while still growing operations.

Engagements with clients continue to highlight the need for water conservation as a linchpin for the sustainability of their businesses. With potential future water cuts and increasing costs, growers and landowners are increasingly seeking solutions. The OMRI certification of LNC for use in compliance with the USDA national organic program further validates LNC as a viable solution, extending its reach to the organic farming market.



Diversity in Applications & Crops:

Deployments continue to demonstrate that LNC application is not limited by crop type. LNC is expanding its reach as a viable solution for diverse vegetation growing in sandy soils.

H1 DEPLOYMENTS:

- Sudan Grass (Forage crop)
- Vine grapes (Viticulture)
- Vegetables (Row-crops)
- Specialty crops (Organic farming)
- Turf grass (2 different golf courses)
- Date palms
- Cotton
- Citrus (2 different application methods)

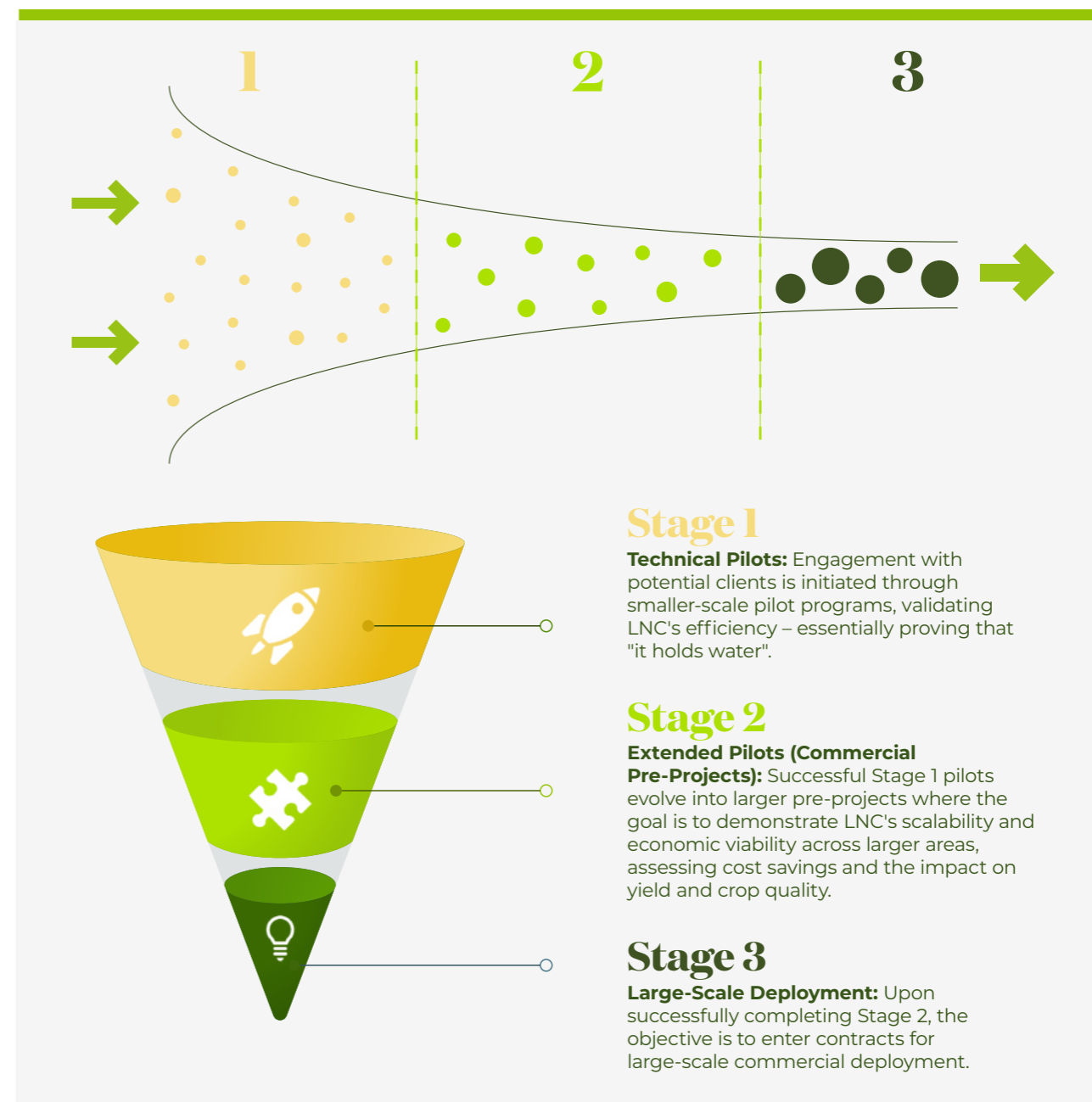
H2 PLANNED DEPLOYMENTS:

- Two additional vegetable applications
- Alfalfa (Forage crop)
- Turf grass (New golf application)
- Land upgrade (Conversion of barren land)



OUR CUSTOMER CONVERSION MODEL

The staged customer conversion model remains at the heart of the U.S. sales strategy. The purpose is to build trust with clients through 3 stages, respecting soil as the lifeline of their livelihood. 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 growing LNC adoption at the speed of trust.



The U.S. team is firmly on track and targets continued delivery on target for the second half.

MIDDLE EAST

Following the strategic review initiated in April, licensed operator agreements have been signed with Mawarid Holding Investment in the United Arab Emirates and H-EART in the Kingdom of Saudi Arabia. As a result, these partners will assume full responsibility for LNC production, sales, and delivery within their designated Middle East markets. This approach obviates the need for local subsidiaries and simultaneously transfers ownership and the accompanying CAPEX requirements for production assets to the operators.

Transitioning to the licensed operator model unlocks cash, reduces costs, and frees up resources, allowing Desert Control to focus more intently on the United States while licensed operators continue developing the Middle East.

A significant milestone was further achieved on 13 July 2023 by receiving final certification from the Ministry of Climate Change and Environment (MOCCA). This regulatory approval authorizes LNC for sale and use across all sectors in the UAE. The MOCCA accreditation will support future endeavors in obtaining necessary regulatory approvals for LNC across the Middle East.

The collaboration with esteemed regional partners, powered by the licensed operator model, seamlessly integrates global strategy with local expertise. This forward-thinking approach reinforces Desert Control's relevance in the Middle East, fostering sustainable innovation and growth through strategic partnerships in the region.



Licensed Operator Model — At a Glance



WHAT IS IT?

Under the licensed operator model, Desert Control grants partners in the Middle East (MHI and H-EART) the rights to produce, sell, and deliver LNC within designated territories under a royalty-based license.

WHY ADOPT THIS MODEL?

1. Cost-Effective Operations:

- Avoids costs related to setting up, managing, and operating local subsidiaries.
- Ensures streamlined operations and reduces overheads.

2. Optimized Capital Allocation:

- Transfers CAPEX requirements for production assets to operators.
- Unlocks cash and enables smarter capital distribution and utilization.

3. Operational Flexibility:

- Facilitates agile scalability with limited financial constraints.
- Distributes operations, mitigating risks linked to region-specific challenges.

4. Focus on Core Strengths:

- Enables reallocation of resources towards R&D, innovation, strategic development, and global expansion.

In Summary: The licensed operator model ensures continued development of the Middle East region through local partners while Desert Control shifts resources and focus to strengthen the development of business opportunities in the United States and other markets.

For more details: <https://go.desertcontrol.com/FAQ-LicenseModel>



OUTLOOK

Moving into the year's second half, Desert Control remains committed to its sales strategy focused on the customer conversion model. The Company maintains its objective of securing minimum five new pilot projects per quarter, targeting a 50% conversion to larger deployments. Negotiations for the inaugural contract for large-scale deployment

is anticipated to start from around the end of the year.

The outlook remains promising, bolstered by the strategic initiatives and advancements in the first half of 2023. The Company has increased LNC production capacity more than twofold, significantly improving unit economics and extending the reach of deployed CAPEX. This achievement enables delivery

capabilities for larger projects without investment in additional assets. Innovation efforts focused on enhancing production capacity, unit economics, and operational efficiency will continue.

We thank our team, partners, shareholders, and all other stakeholders for the continued support!

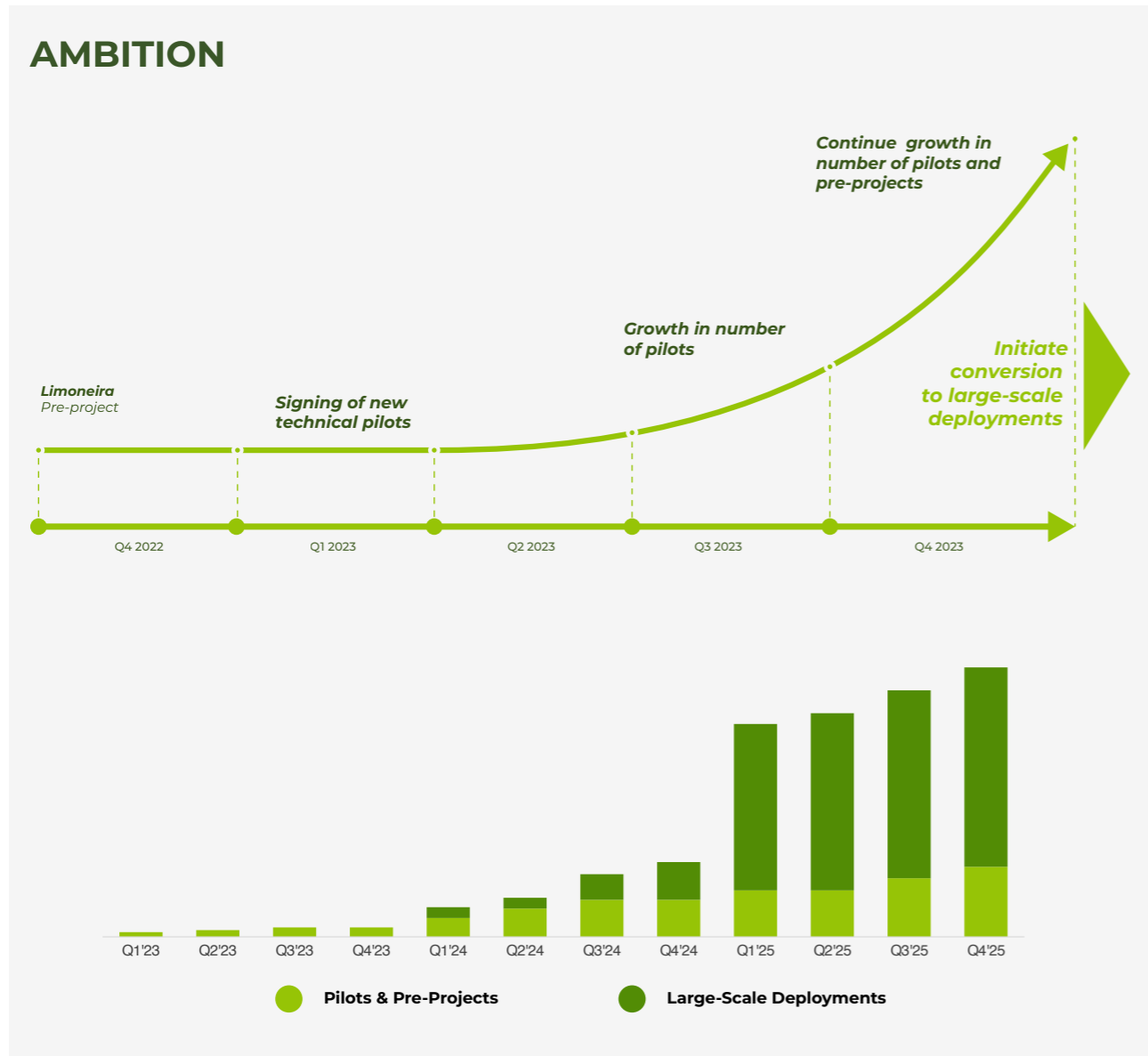
About Desert Control

Desert Control specializes in climate-smart AgTech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) restores and enhances soil ecosystems to reduce water usage and improve the efficiency of fertilizers and natural resources for agriculture, forests, and green landscapes. LNC enables sandy and arid soil to retain water and nutrients, thus increasing crop yields, plant health, and ecosystem resilience while preserving water and natural resources by up to 50%.

Agriculture and food production consumes more than 70% of all available freshwater. Desertification and soil degradation further increase the pressure on water and natural resources in a negative spiral. Feeding the global population requires growing more food in the next 40 years than was produced over the last 500 years; this can only be achieved by improving resource efficiency and regenerating nature.

According to the United Nations, twelve million hectares of fertile land perish annually to desertification, representing an annual \$490 billion loss to the global economy. Desert Control's vision is making earth green again to foster the prosperity of life.

For more about Desert Control, visit <https://www.desertcontrol.com>



Inquiries

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Cautionary Note

Disclaimer related to forward-looking statements

This release contains forward-looking information and statements relating to the business, performance, and items that may be interpreted to impact the results of Desert Control and/or the industry and markets in which Desert Control operates.

Forward-looking statements are statements that are not historical facts and may be identified by words such as “aims”, “anticipates”, “believes”, “estimates”, “expects”, “foresees”, “intends”, “plans”, “predicts”, “projects”, “targets”, and similar expressions. Such forward-looking statements are based on current expectations, estimates, and projections, reflect current views concerning future events, and are subject to risks, uncertainties, and assumptions, and may be subject to change without notice. Forward-looking statements are not guaranteeing any future performance, and risks, uncertainties, and

other important factors could cause the actual business, performance, results, or the industry and markets in which Desert Control operates in, to differ materially from the statements expressed or implied in this release by such forward-looking statements.

No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecasted performance, capacities, or results will be achieved, and you are cautioned not to place any undue reliance on any forward-looking statements.

Q2 AND FIRST HALF 2023 REPORT

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

Statement by the Management and Board of Directors

The Board of Directors and the CEO have considered and approved the Q2 and First Half 2023 Report and Interim Financial Results for Desert Control Group ("Group") for the three months ending on 30 June 2023. The interim consolidated financial statements are unaudited and have been prepared in accordance with IFRS as well as additional information requirements as per the Norwegian Accounting Act.

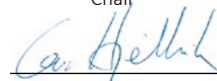
We confirm to the best of our knowledge that:

- The Q2 and First Half 2023 interim financial statements for 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 Group's assets, liabilities, financial position, and results as of 30 June 2023
- The report for the Group gives a true and fair view of the Group's development, performance, and financial position and includes a description of the principal risks and uncertainty factors facing the Group
- The Q2 and First Half 2023 Report has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a

Sandnes, 23.08.2023



Knut Nesse
Chair



Geir Hjelvik
Board Member



Marit Røed Ødegaard
Board Member



Ole Kristian Sivertsen
Chief Executive Officer



Maryne Lemvik
Board Member



Kristian P. Olesen
Board Member

Consolidated Financial Statements Desert Control Group

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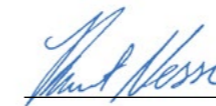
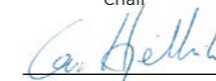
Consolidated Statement of Comprehensive Income

(Amounts in NOK thousand, unaudited)	Notes	Quarters		First half		Full Year
		Q2 2023	Q2 2022	2023	2022	2022
Revenue from sales	2	18	458	893	1 053	2 223
Other income		432	-	1 448	-	1 995
Total income		450	458	2 341	1 053	4 218
Cost of goods sold (COGS)		-164	834	289	1 742	2 508
Gross margin		614	- 377	2 052	- 690	1 711
Salary and employee benefit expenses		11 266	13 821	27 360	30 163	62 087
Other operating expenses		8 864	6 091	17 598	12 251	29 859
Depreciation and amortisation		2 092	1 511	3 999	2 586	6 108
Operating profit or loss		-21 608	-21 799	-46 905	-45 689	-96 343
Finance income		3 821	5 353	9 825	5 779	15 873
Finance costs		441	351	441	587	9 987
Profit or loss before tax		-18 228	-16 798	-37 521	-40 497	-90 457
Income tax expense		8	-	11	-	3
Profit or loss for the year		-18 236	-16 798	-37 532	-40 497	-90 459
Allocation of profit or loss:						
Profit/loss attributable to the parent		-18 236	-16 798	-37 532	-40 497	-90 459
Other comprehensive income:						
Items that subsequently may be reclassified to profit or loss:						
Exchange differences on translation of foreign operations		-2 693		46	-	- 43
Total items that may be reclassified to profit or loss		-2 693	-	46	-	- 43
Total other comprehensive income for the year		-2 693	-	46	-	- 43
Total comprehensive income for the year		-20 930	-16 798	-37 486	-40 497	-90 503
Allocation of total comprehensive income						
Total comprehensive income attributable to owners of the parent		-20 930	-16 798	-37 486	-40 497	-90 503

Consolidated Statement of Financial Position

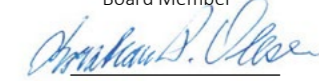
(Amounts in NOK thousand, unaudited)	Notes	30.06.2023	30.06.2022	31.12.2022
ASSETS				
Non-current assets				
Goodwill	5	-	6 504	7 221
Property, plant and equipment	5	7 055	21 462	21 002
Right-of-use assets	5	647	1 497	1 635
Total non-current assets		7 701	29 463	29 857
Current assets				
Inventory		230	90	584
Accounts receivable		21	564	1 572
Other receivables		4 404	8 131	9 052
Other current financial assets		23 979	40 850	41 416
Cash and cash equivalents	4	18 004	82 023	36 791
Total current assets		46 637	131 658	89 415
Assets classified as held for sale	5	20 046	-	-
TOTAL ASSETS		74 385	161 121	119 272
EQUITY AND LIABILITIES				
Equity				
Share capital	3	124	123	123
Share premium		230 849	230 849	230 849
Currency translation differences		-1 290	-3 571	-1 336
Retained earnings		-161 840	-76 966	-122 636
Total equity		67 843	150 436	107 001
Non-current liabilities				
Non-current lease liabilities		702	198	425
Total non-current liabilities		702	198	425
Current liabilities				
Current lease liabilities		217	1 195	1 059
Trade and other payables		3 294	4 617	5 004
Public duties payable		690	323	944
Other current liabilities		1 638	4 352	4 839
Total current liabilities		5 839	10 487	11 845
Total liabilities		6 541	10 685	12 270
TOTAL EQUITY AND LIABILITIES		74 385	161 121	119 272

Sandnes, 23.08.2023


Knut Nesse
Chair

Geir Hjellvik
Board Member

Marit Røed Ødegaard
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Maryne Lemvik
Board Member

Kristian P. Olesen
Board Member

Consolidated Statement of Cash Flows

	Notes	Quarters		First half		Full Year
		Q2 2023	Q2 2022	2023	2022	2022
Cash flows from operating activities (NOK thousand)						
Profit or loss before tax		-18 228	-16 798	-37 521	-40 497	-90 457
Adjustments to reconcile profit before tax to net cash flows:						
Net financial income/expense		-3 380	-5 001	-9 384	-5 192	-5 886
Depreciation and amortisation		2 092	1 511	3 999	2 586	6 108
Share-based payment expense		2 025	33	3 940	124	4 283
Working capital adjustments:						
Changes in accounts receivable and other receivables		5 066	78	6 198	-2 553	-5 066
Changes in trade payables, duties and social security payables		-1 682	-4 774	-1 964	1 395	2 402
Changes in other current liabilities and contract liabilities		-1 370	1 496	-3 200	-326	161
Net cash flows from operating activities		-15 477	-23 455	-37 932	-44 464	-88 455
Cash flows from investing activities (NOK)						
Purchase of property, plant and equipment		-	-6 838	-346	-11 155	-13 969
Purchase of financial instruments		14 924	24 521	17 437	36 497	36 744
Proceeds from sale of property, plant and equipment		433	-	1 234	-	890
Interest received		82	-	170	-	867
Net cash flow from investing activities		15 439	17 683	18 495	25 342	24 533
Cash flow from financing activities (NOK)						
Proceeds from issuance of equity		1	-	1	1	1
Lease payments		128	-	677	-727	-1 590
Interest paid		-4	-	-2	-	-3
Net cash flows from financing activities		125	-	676	-726	-1 592
Net increase/(decrease) in cash and cash equivalents		87	-5 772	-18 761	-19 848	-65 514
Cash and cash equivalents at beginning of the year/period		17 795	87 886	36 790	101 923	101 924
Net foreign exchange difference		121	-91	-25	-53	380
Cash and cash equivalents, end of period		18 004	82 023	18 004	82 023	36 790

Consolidated Statement of Changes in Equity

(Amounts in NOK thousand, unaudited)	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 31 December 2021	122	230 849	- 107	-36 592	194 272
Profit (loss) for the period				-40 497	-40 497
Other comprehensive income			-3 464		-3 464
Issue of share capital	1	-			1
Transaction costs					-
Share based payments				124	124
Balance at 30 June 2022	123	230 849	-3 571	-76 966	150 435
Balance at 31 December 2022	123	230 849	-1 336	-122 636	107 001
Profit (loss) for the period				-37 532	-37 532
Other comprehensive income			46	-5 613	-5 567
Issue of share capital	1				1
Transaction costs					-
Share based payments				3 940	3 940
Balance at 30 June 2023	124	230 849	-1 290	-161 841	67 843

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 second quarter period ended 30 June 2023 were authorised for issue by a Board meeting held on 23 August 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 interim 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 interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU (IAS 34). The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement. The condensed interim financial statements do not include all of the information and disclosures required by International Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the most recent annual financial statements. The annual financial statements were prepared in accordance with International Financial Reporting Standards and interpretations as issued by the International Standards Board and as adopted by the EU. The interim 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. There have been no changes to significant accounting policies since the preparation of the annual financial statements for 2022. The condensed interim financial statements are unaudited.

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.

2 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. 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)	Quarters		First half	Full Year
	Q2 2023	Q2 2022	2023	2022
Liquid NaturalClay (LNC)	18	458	893	1 053
Total	18	458	893	2 223

By geographic market:	Quarters		First half	Full year
	Q2 2023	Q2 2022	2023	2022
Norway	-	-	-	331
USA	18	-	845	-
UAE	-	458	48	722
Total	18	458	893	1 053

3 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 1 January 2022	40 724 640	3	122 174
Share issue 10 March 2022	375 040	0	1 125
At 31 December 2022	41 099 680	0	1 125
Share issue 10 March 2023	227 109	0	681
At 30 June 2023	41 326 789	0	1 806

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.

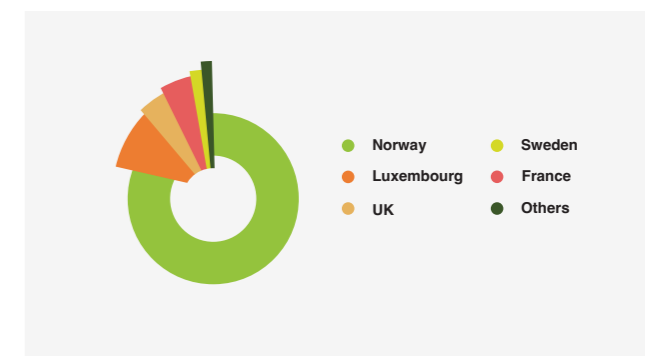
THE GROUP'S SHAREHOLDERS:

Shareholders in Desert Control AS at 30.06.2023

	Total shares	Ownership/ Voting rights
Olesen Consult HVAC AS	5 900 000	14,3 %
J.P. Morgan SE	2 528 989	6,1 %
Nordnet Livsforsikring AS	1 815 692	4,4 %
Ole Morten Olesen	1 635 800	4,0 %
Lithinon AS	1 423 706	3,4 %
Nesse & Co AS	1 360 000	3,3 %
BNP Paribas	1 313 365	3,2 %
LIN AS	1 215 275	2,9 %
DNB BANK ASA	1 108 449	2,7 %
Idland	1 101 506	2,7 %
Clearstream Banking S.A.	1 047 871	2,5 %
Jakob Hatteland Holding AS	1 000 000	2,4 %
The Northern Trust Comp, London Br	958 275	2,3 %
Beyond Centauri AS	928 771	2,2 %
OKS Consulting AS	925 000	2,2 %
Sortun Invest AS	677 715	1,6 %
Glomar AS	627 715	1,5 %
Investore Finans AS	499 028	1,2 %
JPMorgan Chase Bank, N.A., London	422 104	1,0 %
Others	14 837 528	35,9 %
Total	41 326 789	100,0 %

Origin of shareholders

No of shares	%	Origin	# shareholders
32 818 340	79.4	Norway	3 761
3 756 958	9.1	Luxembourg	8
1 596 359	3.9	UK	9
1 410 145	3.4	France	5
1 058 324	2.6	Others	57
686 663	1.7	Sweden	17
41 326 789	100	Total	3 856



4 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	30.06.2023	31.12.2022
Bank deposits, unrestricted	17 043	35 617
Bank deposits, restricted	961	1 174
Total cash and cash equivalents	18 004	36 791

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

5 ASSETS CLASSIFIED AS HELD FOR SALE

ACCOUNTING POLICIES

Non-current assets are classified separately as held for sale in the Consolidated balance sheet when a sale is highly probable. This condition is met when an asset is available for immediate sale in its present condition, Desert Controls is committed to the sale, and the sale is expected to be completed within one year from the date of classification. In Desert Control, these requirements are normally met when management has approved a negotiated letter of intent with the counterparties

Liabilities directly associated with the assets classified as held for sale and expected to be included as part of the sales transaction, are also classified separately. The net assets and liabilities of a disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Furthermore, we would like to inform our stakeholders that the business operations in the Middle East are being discontinued. As a result, certain non-current assets related to this segment have been classified as held for sale as per the conditions mentioned above. This strategic decision aligns with our commitment to optimize our operations and resources for enhanced growth and value creation.

MIDDLE EAST OPERATIONS

In the second quarter of 2023 Desert Control entered into agreements with Mawarid Holding Investment LLC and Mawarid International Investment LLC (jointly referred to as "Mawarid"), pursuant to which Mawarid will acquire Desert Control's 49% ownership in Mawarid Desert Control LLC. Further, Mawarid will acquire Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC. In connection with the contemplated transaction, Mawarid will also acquire mobile LNC production units currently operated by Desert Control.

For the initial implementation of the agreements, a consideration of USD 1.8 million will be payable to Desert Control in two tranches in relation to the transfer of the 49% ownership in Mawarid Desert Control LLC and the 100% ownership in Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC to Mawarid.

In the second quarter of 2023 Desert Control entered into an agreement with Holistic Earth Advanced Regeneration Technologies SA (H-EART). H-EART will acquire one LNC production cluster, consisting of 4 LNC production units, for USD 1 million.

Environmental, social, and governance (ESG)

SUSTAINABILITY AND IMPACT ON THE SUSTAINABLE DEVELOPMENT GOALS (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). Improved water efficiency and increased crop yields contribute significantly to a positive impact on the United Nations Sustainable Development Goals (SDGs), including reducing hunger and competition for scarce resources and securing access to clean water. Arid regions using energy-intensive seawater desalination can further significantly reduce CO2 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 CO2 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 CO2 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.



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



MAKING EARTH GREEN AGAIN

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