

Desert Control Q1 2023 and Year-to-Date Company Update Presentation (Transcript)

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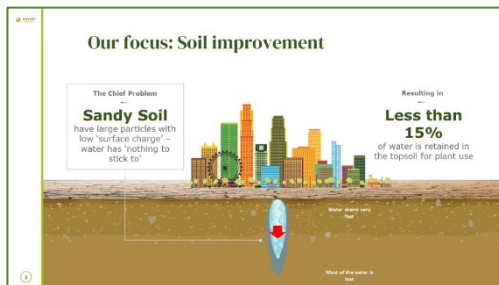


Welcome to the Desert Control Q1 2023 and Year-to-Date Company Update webcast. It will cover the Q1 Report and Interim Financial Results for the fiscal period that ended on March 31, 2023. Some recent updates for Q2-2023 will also be included.

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

Before the official Q1 Update Agenda, allow us to introduce Desert Control's CEO for a brief introduction.

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Desert Control specializes in climate-smart AgTech solutions to combat desertification, soil degradation, and water scarcity, and our specific focus is the improvement of sandy soil.

Sandy soils are thirsty and less productive. When fertile soil degrades and 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.

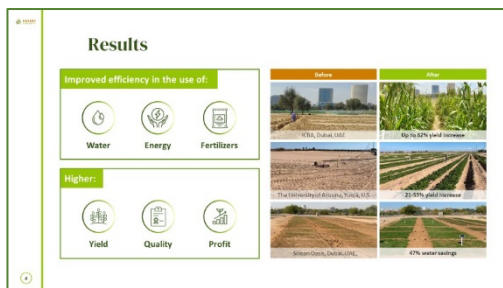
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Liquid Natural Clay (LNC) is a nature-based solution to upgrade sandy soils with a larger storage bank. The liquid coats each grain of sand with an electrical charge that holds onto water like a magnetic force, creating a soil structure that retains water and nutrients like a sponge. One treatment is expected to last for up to five years or more with maintenance programs.

Our solution is designed to restore and enhance soil ecosystems to reduce water usage and improve the efficiency of fertilizers and natural resources for agriculture, forests, and green landscapes.

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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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Based on 12 years of R&D, the process of commercialization started in the 2nd half of 2022, and we have developed a sales strategy with a customer conversion model that I will share more details about in a few slides.

The experience from implementing technical pilots and commercial pre-projects in the U.S. is helping us gain significant scalability improvement of great value to the markets we address, which are agriculture and green landscapes in the UAE and the United States targeting sandy soil areas exposed to water stress and land productivity challenges.

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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 **Q1 highlights**
- Next, Marianne, our CFO, will take us through the **financial update**
- Then I will share a brief **outlook** before we close with the **Q&A session**



Progress in efficiency, scalability, and sales is the headline for the first quarter of 2023

For production: During the first quarter, we unlocked further potential of our LNC production units with the ability to more than double the LNC production volume per hour per unit. This capacity increase will impact "unit economics" and drive increased efficiency and scalability of operations.

For application: During Q1, we reached an efficiency rate of treating an impressive 500 trees per day in the second stage of Limoneira's deployment, marking a 30X improvement since the initial pilot in July 2022. We are also gaining experience deploying LNC through established irrigation systems, such as sprinklers, which reduces the manpower requirements and speeds up application for larger areas significantly compared to manual application.

Sales: On the sales side, we have, through several new projects, gained experience with our focused customer conversion model.



Let me give you an overview of our customer conversion model :

The objective is to take customers from technical pilots to full-scale projects at the speed of trust through 3 stages.

Stage 1: Technical Pilots: We initiate engagement with potential customers through smaller-scale pilot programs, validating LNC's efficiency – essentially proving that "it holds water." Like we did with Limoneira back in July 22.

Stage 2: Extended Pilots (Commercial Pre-projects): Successful Stage 1 pilots evolve into larger pre-projects. The goal is to demonstrate our solution's scalability and economic viability across larger areas, assessing cost savings and the impact on yield and crop quality. An example here again is the Limoneira project we finished the last phase of stage 2 of in Q1-23.

Stage 3: Full-Scale Deployment: Upon successfully completing Stage 2, we transition to full-scale deployment contracts. Our objective is to secure our first contract for full-scale deployment by the end of the year.

Target: We also maintain our target of securing five pilots per quarter with a minimum conversion rate of 50% to larger deployments.

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Let me also share a few accomplishments from the quarter.

During Q1, we successfully completed stage 2 of Limoneira as a well-demonstrated commercial pre-project delivery. In parallel during the quarter, we secured five technical pilots; Lemonica Citrus in California, two golf courses in southern Arizona, an alfalfa field with 5 Rivers, and a date palm pilot with Griffin Ranches.

For Q2, we are also well on track with our objectives. We communicated some signed contracts early in this quarter with, among others, Yuma Organic. We also announced a very exciting California large-scale vineyard with sandy soil. Most recently, we have secured a technical pilot with a farming operation that is also tied to dust mitigation as a service connected to some airfields in southern Arizona, where we will create value for agricultural operations in Desert climates combined with dust mitigation for sandy soil areas adjacent to airport operations as a demonstration project that can have replication across other areas.

Finally, we secured a pilot with a Native American Tribal Land. This is an area with basically barren land currently of very low-value. The objective is to demonstrate the conversion of barren land into highly productive and fertile land for both value creation off the land and property as well as converting areas into agricultural productivity for the future.

With this, we can conclude that we are well on track with the objective of 5 pilots per quarter.

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Other accomplishments during the first quarter include winning the top prize in the sustainability and environment category at the Entrepreneurship Word Cup finals held in Riyadh.

Also, we achieved Certification for Organic Farming in UAE, leaving us with just one more product registration to complete, which is in the final stages with the Ministry of Climate Change and the Environment in UAE. This will open doors for Mawarid and MDC to larger opportunities in the public sector domain.

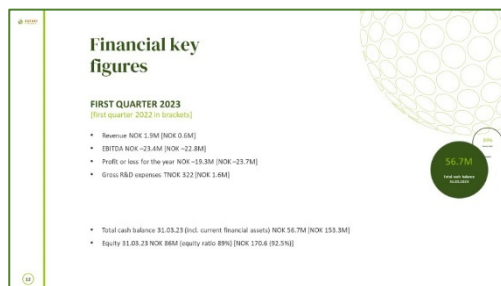
Mawarid and MDC is also gaining more visibility in UAE, and they were in Q1 announced winners of the Research and Innovation Award by the Ministry of Energy & Infrastructure UAE, driving visibility with important ministries and stakeholders in the nation.

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We will now turn to the Financial update, and I pass it over to our CFO, Marianne Vika Bøe.

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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 first quarter with a positive cash balance of NOK 56.7 Million and has no interest-bearing debt.

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The table is titled "Consolidated statement of comprehensive income". It shows the following data:

Monetary in NOK (thousand, unless stated)	Notes	Q1 2023	Q1 2022	2022
Revenue from sales	2	575	585	2 225
Other income		1 000	-	6 295
Total Revenue		1 575	585	8 520
Cost of goods sold (COGS)		401	938	2 509
Gross margin		1 174	-353	6 011
Salary and employee benefit expenses		10 094	16 941	62 087
Other operating expenses		6 130	6 100	20 000
Depreciation and amortization		1 900	1 075	6 000
Impairment		-	-	-
Operating profit or loss		-15 950	-24 036	-84 076
Finance income		6 004	407	10 873
Finance costs		-	-	-
Profit or loss before tax		-9 946	-23 629	-73 203
Income tax expenses		0	0	0
Profit or loss for the year		-9 946	-23 629	-73 203

The revenue recognized in the quarter mainly relates to a commercial pre-project in the U.S. In addition, we have some other income related to the prize won at the Entrepreneurship World Cup and the temporary secondment of personnel to our joint venture.

The expenses in the quarter are in line with our budget. Salary and employee benefit expenses were impacted by the employee share options exercised in March.

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