

Q3

Report

2022



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Desert Control secures the first commercial contract in the United States, increases efficiency with lower operational costs in the UAE, and enters MoU for future projects in Southern Europe.

The company closes the third quarter with a positive cash balance of NOK 100 Million and has no interest-bearing debt.



Desert Control Third Quarter Report 2022 and Year-to-date Update

SANDNES, NORWAY, 25 NOVEMBER 2022 – DESERT CONTROL AS (DSRT) ANNOUNCES ITS THIRD QUARTER REPORT FOR THE FISCAL PERIOD ENDING 30 SEPTEMBER 2022.

Desert Control secures the first commercial contract in the United States, increases efficiency with lower operational costs in the UAE, and enters MoU for future projects in Southern Europe. The company closes Q3 2022 with a positive cash balance of NOK 100 Million and has no interest-bearing debt.

Desert Control specializes in climate-smart Ag-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) restores and enhances soil ecosystems to; reduce the usage of and improve the efficiency of; water, fertilizers, and natural resources for agriculture, forests, and green landscapes.

Q3 and Year-to-Date Highlights

ACCELERATING COMMERCIALIZATION IN THE UNITED STATES:

- Signing contract with Limoneira Company (Nasdaq: LMNR) valued at NOK 1.8M. Initial scope includes LNC application for 4,000 citrus trees at two Limoneira ranches combined with a letter of intent for large-scale LNC deployment based on the successful outcome.
- Strengthening the organization by accelerating the recruitment of a sales team to drive commercialization in Arizona and California.
- Continuing collaboration with the University of Arizona for impact studies of LNC for American soil with positive results. Expanding the validation program with additional crops.
- Establishing an office in Yuma, Arizona, to prepare for commercial deliveries.

INCREASING EFFICIENCY WITH LOWER OPERATIONAL COST IN THE UAE:

- Operationalizing the Mawarid partnership by transferring personnel and operational costs related to sales, distribution and project delivery from Desert Control Middle East to the Mawarid Desert Control sales and distribution company.
- Restructuring Desert Control Middle East into a focused LNC production entity with an indirect go-to-market model for the UAE market through the Mawarid partnership.
- Securing Mawarid Desert Control contract for a strategic commercial pre-project with a significant UAE food-security company for implementation commencing Q4 2022.
- Achieving exceptional full-year results for LNC treatment of date palms. Reduced water usage by 46% while increasing yield by 8% and gaining >20% increase in fruit quality.

STRENGTHENING THE FOUNDATION FOR SCALE-UP:

- Streamlined organization with personnel transfer to Mawarid JV drives increased efficiency with lower UAE operational costs for Desert Control (reducing running costs by >50%).
- Strengthened management team improves the organizational scalability for future growth.
- Improved scale-on-demand model with global mobility of assets to ensure optimal agility.
- MoU with Amarenco Group for soil and forest regeneration CSR initiative creates opportunities for future projects in Southern Europe.

Webcast presentation for Desert Control Q3 2022 Report, Interim Financial Results and YTD company update is hosted on 25 November 2022 at 10.00 AM, Central European Time (CET). Register: <http://bit.ly/3g3fW5H>

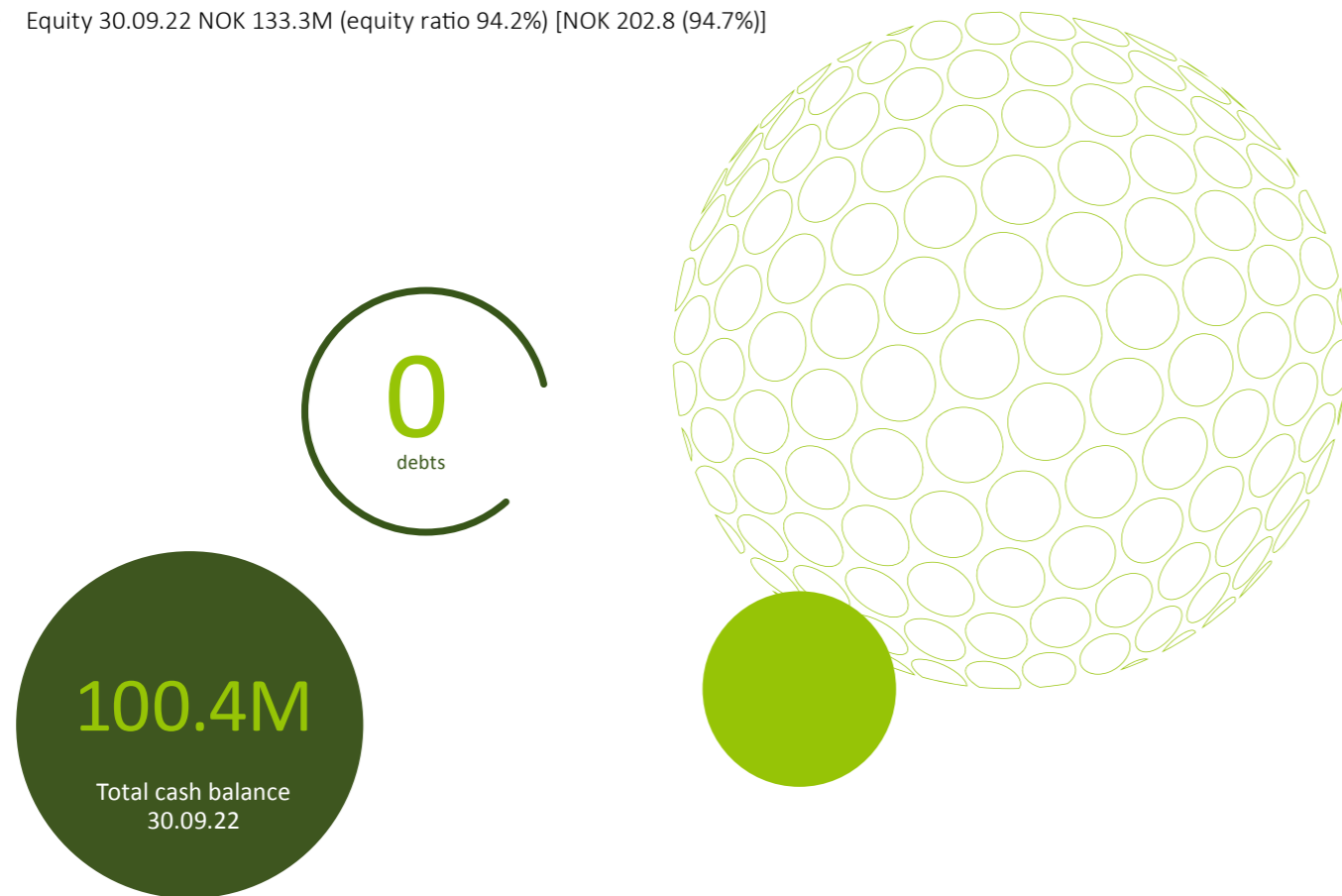
Financial Key Figures

FINANCIAL HIGHLIGHTS THIRD QUARTER 2022

[third quarter 2021 in brackets]

[first nine months of 2021]

- Revenue NOK 0.1M [NOK 2.3M]
- EBITDA NOK -21.6M [NOK -7.8M]
- Net Income NOK -14.7M [NOK -8.5M]
- Gross R&D expenses NOK 0.1M [NOK 3.4M]
- Revenue NOK 1.2M [NOK 2.3M]
- EBITDA NOK -64.7M [NOK -20.5M]
- Net Income NOK -55.2M [NOK -21.2M]
- Gross R&D expenses NOK 2.6M [NOK 3.4M]
- Innovation Norway / Skattefunn grants NOK 2.9M [NOK 1M]
- Total cash balance 30.09.22 (bank deposits and funds) NOK 100.4M [NOK 191.2M]
- Equity 30.09.22 NOK 133.3M (equity ratio 94.2%) [NOK 202.8 (94.7%)]



2022 Year-to-Date Company Update



Desert Control has developed Liquid Natural Clay (LNC) to restore and enhance soil ecosystems to; reduce the usage of and improve the efficiency of; water, fertilizers, and natural resources for agriculture, forests, and green landscapes. After 12 years of R&D, the innovation underwent academic independent validation and pilots in the UAE from 2019 to 2021.

In March 2021, the company raised 200 MNOK funding for a market-based proof of concept to demonstrate commercial viability in the UAE and prove transferability to other geographies. This initiative launched as the “2+2 strategy” with efforts and investments focused on two countries and two segments; the UAE and the United States, and the segments agriculture and landscaping.

“We must think big, start small, act fast, and build the foundation to scale exponentially. This is at the core of our strategy, says President and Group CEO Ole Kristian Sivertsen.”

More than 110 countries worldwide suffer desertification, degradation of vital topsoil, and increasing water scarcity, and issues are further accelerated by rising temperatures and severe droughts. According to the United Nations, the global addressable market is growing annually by 12 million hectares of land perishing to desertification. Therefore, a critical pillar of our strategy is to build the foundation for global scale-up, which requires focus and relentless execution.

For the first three quarters of 2022, the strategic focus has been to (1) commercialize in the UAE, (2) validate in the United States, and (3) build the foundation. Important milestones were achieved in all three areas during the third quarter. The UAE entity was restructured to fully implement the indirect go-to-market model through the Mawarid partnership with significant cost-efficiency gains for Desert Control. The Q3 progress in the United States strengthens confidence in the potential to accelerate commercialization significantly ahead of initial expectations.

Further strengthening of the group management and a validated scale-on-demand model prepares the company for future growth.

The group conducted its annual strategy review in October 2022 based on the year-to-date progress. Commercialization has started with bite-sized deliveries in the UAE, and the focus for 2023 will shift to reaching larger-scale adoption. For the U.S., the company will continue its independent academic validation initiatives and, in parallel, focus on gaining accelerated commercialization. The company further aims to obtain a strategic position to grow into Southern Europe as the next market and will continue to waterproof the foundation for global scale-up.

Revised Desert Control strategy:



GAIN ACCELERATED COMMERCIALIZATION IN THE UNITED STATES

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

The rapid progress in the U.S. receives a significant tailwind thanks to academic validation initiatives and four years of hard work in the Middle East backed by 12 prior years of R&D. The U.S. market is financially driven, and investments that yield increased profitability can happen fast. Extreme droughts and increasing regulatory restrictions on



water consumption in states such as Arizona and California create a sense of urgency to implement solutions.

For Limoneira, the macro drivers are essential, and ensuring sustained profitability for the agriculture business is vital, says Desert Control CEO, Ole Kristian Sivertsen. At the same time, Limoneira is a company taking real action to foster sustainability with a genuine and passionate focus on soil health, water conservation, and reducing energy and fertilizer intensity while optimizing yields and fruit quality combined with proactive stewardship for land, nature, and our environment.

STRATEGIC CONTRACT WITH LIMONEIRA COMPANY

The preparation to accelerate commercialization in the U.S. continued with readiness activities throughout the third quarter and resulted in the first commercial agreement with Limoneira Company in November 2022. Limoneira’s objective is to adopt LNC to enable climate-smart and resilient agribusiness with optimal usage of water, fertilizers, and natural resources while optimizing yields and quality of citrus production in desert environments.

The project’s initial scope, valued at NOK 1.8 Million, is to apply Liquid Natural Clay (LNC) for 2,000 citrus trees in Cadiz, California, and 2,000 citrus trees in Yuma, Arizona. The combined area covers 40 acres of land. The contract is further backed by a letter of intent (LOI) to expand LNC deployment to full-scale roll-outs for Limoneira ranches starting by Cadiz in the Mohave desert.

Deployment for 2,000 trees at the Cadiz ranch is anticipated to complete during December 2022 and at the Yuma ranch during January 2023, allowing for key indicators to be measured over the growing season and evaluated after harvest in September – October 2023. Based on the successful outcome, it is anticipated that a large-scale roll-out for Limoneira ranches could start in Q4 2023 for the Cadiz ranch, with 800 acres of land and approximately 70,000 citrus trees under cultivation. The broader opportunity includes the Yuma ranch of 1,300 acres with approx. 120,000 trees and other applicable agribusiness operations of Limoneira.

“We lead the agribusiness industry by example because we dare to innovate and expand our practices. The land teaches us how to be better stewards and how to adapt as conditions change in the economy, our industry, and the environment. Limoneira is committed to being a catalyst for positive change, and we continue to view these challenges as an opportunity to create a better future”, says Harold S. Edwards, President & CEO of Limoneira Company.

STRENGTHENING THE TEAM TO ACCELERATE COMMERCIALIZATION

The initial plan for U.S. market entry anticipated academic validation initiatives to run until the end of the second half of 2023, followed by pilots in the second half and commercial activities commencing towards the end of

2023. Due to commercial traction significantly earlier than initially anticipated, the company decided to launch a recruitment campaign for salespeople in Q3 2022. The recruitment of sales personnel is ongoing, with expected onboarding in Q4 2022 and Q1 2023.



CONTINUING THE COLLABORATION WITH THE UNIVERSITY OF ARIZONA

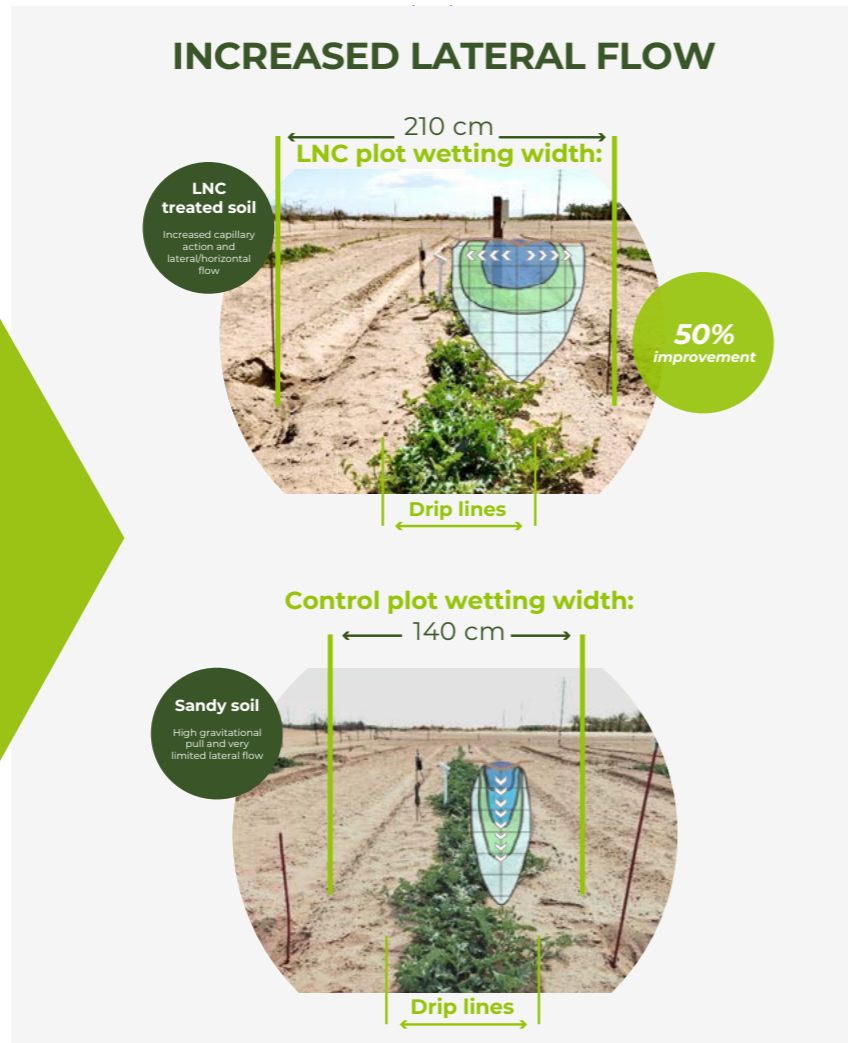
Indications from the first phase of the validation program in collaboration with the University of Arizona continued to show positive potential for reduced irrigation frequency, increased lateral movement of water in the soil profile, promising potential for fertilizer savings, and reduction in mortality rates of seedlings. Further potential could support crop quality. All treated plots demonstrated increased and improved lateral movement of water compared to control plots.

In addition to water and fertilizer savings, the increased lateral flow may allow for significant savings on irrigation systems and water infrastructure. Irrigation lines and pipes may be placed further apart. Lower water volume requirements may further impact dimensions and requirements for water and drainage infrastructure.

The validation study is part of a five-year program in collaboration with the University of Arizona. The second crop cycle of the five-year validation program was initiated in early September and is extended to new crops with lettuce and celery, both high-value cash crops for Yuma agriculture. Preliminary results show a significant potential for LNC to enhance the sandy soil ecosystem.

ESTABLISHING AN OFFICE IN YUMA

The company established a sales office and operation hub in Yuma, Arizona to accelerate commercialization and market



adoption in Arizona. Desert Control has been active in Yuma since the launch of the independent validation program for LNC on American soil with the University of Arizona and the Yuma County Cooperative Extension. The field study at the Yuma Mesa Agricultural Research Station has received significant attention and interest from the local community. Agriculture in Yuma accounts for 40% of the county's economic base contributing more than \$4 billion annually. The addressable market is approximately 70 000 hectares of irrigated cropland

with significant additional available land opportunities for LNC in the surrounding area.

REACH LARGE-SCALE ADOPTION OF LNC IN THE MIDDLE EAST

OPERATIONALIZING THE MAWARID PARTNERSHIP

Desert Control's commercial strategy for the United Arab Emirates (UAE) is to develop the go-to-market channel in partnership with Mawarid Holding Investment under Alpha

Dhabi Holding in Abu Dhabi. The partnership is structured in a Joint Venture company, Mawarid Desert Control LLC (MDC). Desert Control AS remains the owner of the technology, intellectual property, data, and assets. Desert Control Middle East LLC (fully under Desert Control AS) controls and operates the production assets and produces LNC with MDC as its sole off-taker. MDC buys LNC from Desert Control and is the exclusive sales, distribution, and delivery channel in the UAE.

Mawarid's contribution secures the Joint Venture (J.V.) company MDC sufficient working capital and funding to establish and grow the business. MDC will have access to Mawarid's 11.000-strong workforce for LNC field deployment and projects and further be supported by Mawarid's extensive network of clients and relationships.

Although it has taken significant time to establish the J.V., the parties passed critical milestones to operationalize the new entity during the third quarter. The financial infrastructure, including bank accounts, critical systems, and governance, was implemented, and the company is, per November, operationally able to hire personnel. The General Manager for MDC, Moamen Younis, was officially appointed on 14 November, and key positions in the company are being filled.

Hiring activities to build the Mawarid Desert Control salesforce kicked off at the end of June. The new salespeople were onboarded during the third quarter by interim hire

in Desert Control Middle East, followed by secondment to MDC and finally transfer into the newly operationalized J.V.

To further streamline the new go-to-market model, other roles and responsibilities related to sales and project delivery (field application of LNC) have been transferred from Desert Control Middle East to Mawarid Desert Control, which now has 17 employees, including seconded personnel.

RESTRUCTURING DESERT CONTROL MIDDLE EAST

Desert Control Middle East LLC was initially established and organized to deliver turnkey projects directly to end-user customers, including sales and marketing, production of LNC, field application, and the complete delivery of projects for treating soil and land with LNC. With the new indirect business model, responsibility for sales and marketing, distribution, field application, and project delivery shifts to Mawarid Desert Control LLC. Desert Control Middle East LLC has, during the third quarter, started restructuring into a manufacturing company focused on the production of LNC to be distributed to the market through Mawarid Desert Control.

The restructuring effectively lowers Desert Control's operational cost for the Middle East by more than 50%. Employees in roles related to sales and marketing, distribution, field application, and project delivery are, as of 1 October, seconded and transferred to Mawarid Desert Control.

STARTING COMMERCIAL TRACTION WITH STRATEGIC COMMERCIAL PRE-PROJECT

Mawarid Desert Control has secured a contract for a strategic commercial pre-project with a significant UAE food security company for implementation commencing Q4 2022. The customer aims to adopt LNC on farms with various crops, soil, and water conditions across the UAE. The objective is to strengthen leadership in the field of climate-smart and resilient farming with optimal usage of water, nutrients, and natural resources while optimizing the yields and quality of food production. The initial scope is the deployment of LNC for the company's experimental farm and R&D facility, where the objective is to develop a concept for broad implementation.

EXCEPTIONAL IMPACT FOR LNC ON DATE PALMS

A project for LNC impact on date palm cultivation in partnership with Mawarid started in September 2021. Following the harvest in September 2022, the full-year impact demonstrated reduced water usage by 46% (compared to optimized irrigation). Yields increased by 8%,



and fruit quality (grade A) increased by 21%. Improved crop quality is driven by less wash-out of nutrients and better soil health.

Research shows that date palms need an average of 300 liters of water daily. The impact of LNC reduced water usage to an average of 70 liters daily. Research papers are available on request.

OBTAIN A STRATEGIC POSITION TO GROW INTO SOUTHERN EUROPE

ENTERED INTO MOU WITH AMARENCO GROUP

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

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

degradation. For Desert Control, the partnership can build a foundation to obtain a strategic position to grow into Southern Europe.

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

WATERPROOF THE FOUNDATION FOR GLOBAL SCALE-UP

INCREASED EFFICIENCY WITH LOWER OPERATIONAL COSTS

- Restructuring the UAE entity increases efficiency and lowers operational cost
- Transitioning to an indirect business model in the UAE allows for shifting resources to accelerate the activity in the U.S.
- Streamlining the organization strengthens focus and extends the financial scale-up runway

STRENGTHENED MANAGEMENT TEAM

During H1, Desert Control strengthened the leadership team with several new positions, and onboarding of the new team members commenced in Q3. The

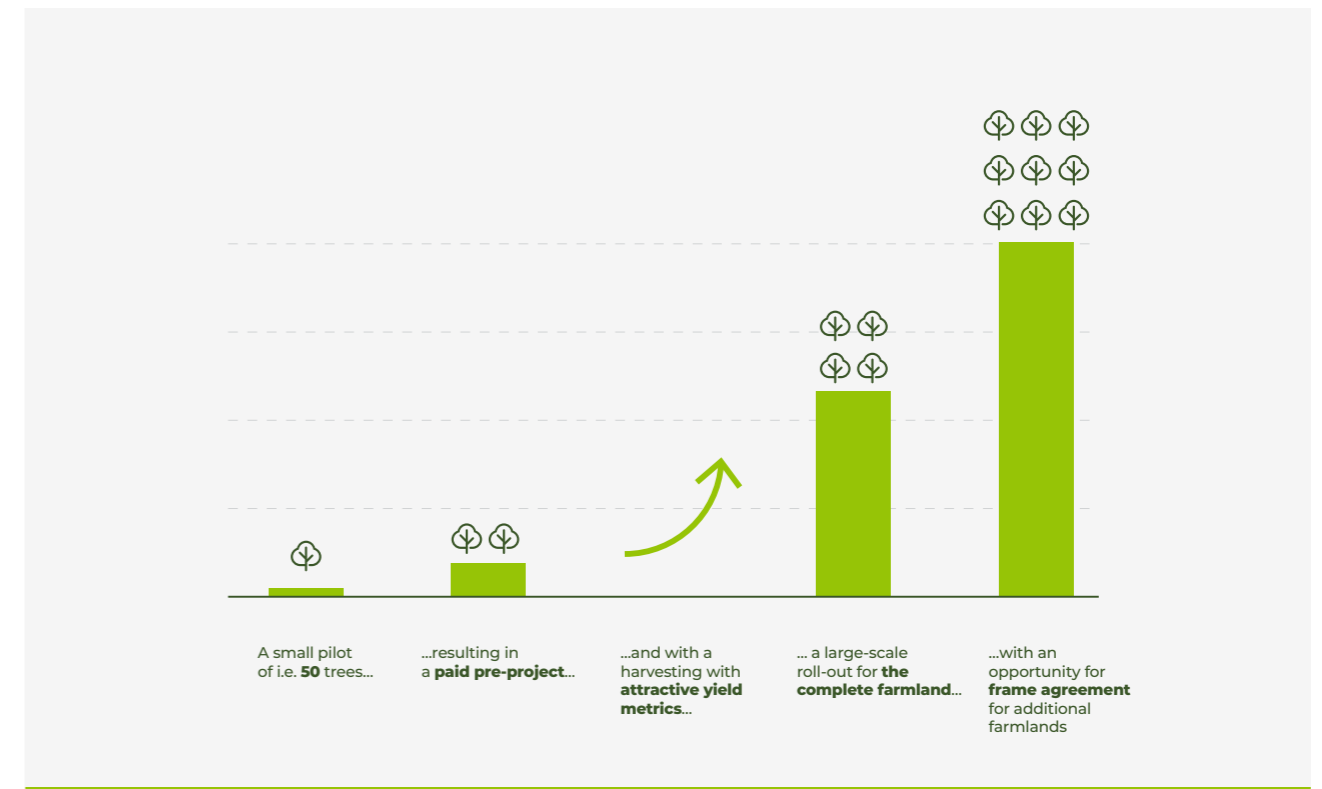
newly established management team strengthens the organization for future growth.

SCALE-ON-DEMAND MODEL

- Desert Control has 12 LNC production units
 - 10 units in the UAE (+4 prototype R&D units)
 - 2 units in the U.S. (+1 small-scale field pilot prototype)
- Annual LNC production per unit equals a capacity to treat 60 hectares (avg 30 liters/m2)
- Additional LNC production units can be built and deployed with 2-3 months lead time
- The LNC production units are mobile and can be deployed to other regions

The experience gained during 2022 related to on-demand scalability and mobility of the assets enables Desert Control to link future CAPEX investments directly to signed agreements.

Considering the nature of agribusiness, an agile scale-on-demand model with limited up-front CAPEX requirements is highly attractive. Agriculture projects typically develop in stages, starting with small pilots and commercial revenue-generating pre-projects for clients to evaluate the business impact during the season (from seeding to harvest). Large-scale deployment for the client’s entire farmland will commence based on the successful outcome of pre-projects.



The scale-on-demand model allows for building and deploying additional LNC production capacity as needed based on signed contracts.

FTIPP* UPDATE

(*Full-Time Intelligent Passionate People – in other companies, referred to as FTE) Fourteen nationalities have joined Desert Control from multiple sectors bringing unique experience, expertise, and skillsets. High diversity in education, ages, and cultural backgrounds enriches our organization and is vital to deliver on our mission. 24% of the employees are female. The team has 20 people in Norway, 24 in the UAE, and 6 in the U.S.



Outlook

Q4 priorities under our GROW strategy focus on:

GAIN ACCELERATED COMMERCIALIZATION IN THE UNITED STATES

- Hire Managing Director for Desert Control Americas
- Onboard the sales team
- Execute and deliver a successful pre-project with Limoneira
- Develop the pipeline to secure additional pre-projects with new clients

REACH LARGE-SCALE ADOPTION OF LNC IN THE MIDDLE EAST

- Fully implement Desert Control Middle East as an LNC production company with MDC* as its sole off-taker, and empower MDC as the exclusive sales and distribution partner in the UAE
- Support training of the newly hired MDC sales team to ensure sales effectiveness
- Execute and deliver a successful MDC pre-project for the strategic food security company
- Support development of MDC pipeline to secure additional pre-projects with new clients
- Continue strategic positioning of LNC towards long-term government opportunities

** (MDC: Mawarid Desert Control LLC – Joint Venture; exclusive sales and distribution company for LNC in the UAE)*

OBTAIN A STRATEGIC POSITION TO GROW INTO SOUTHERN EUROPE

- Prepare the next stage for the Amarenco Group MoU (anticipated H1-2023)

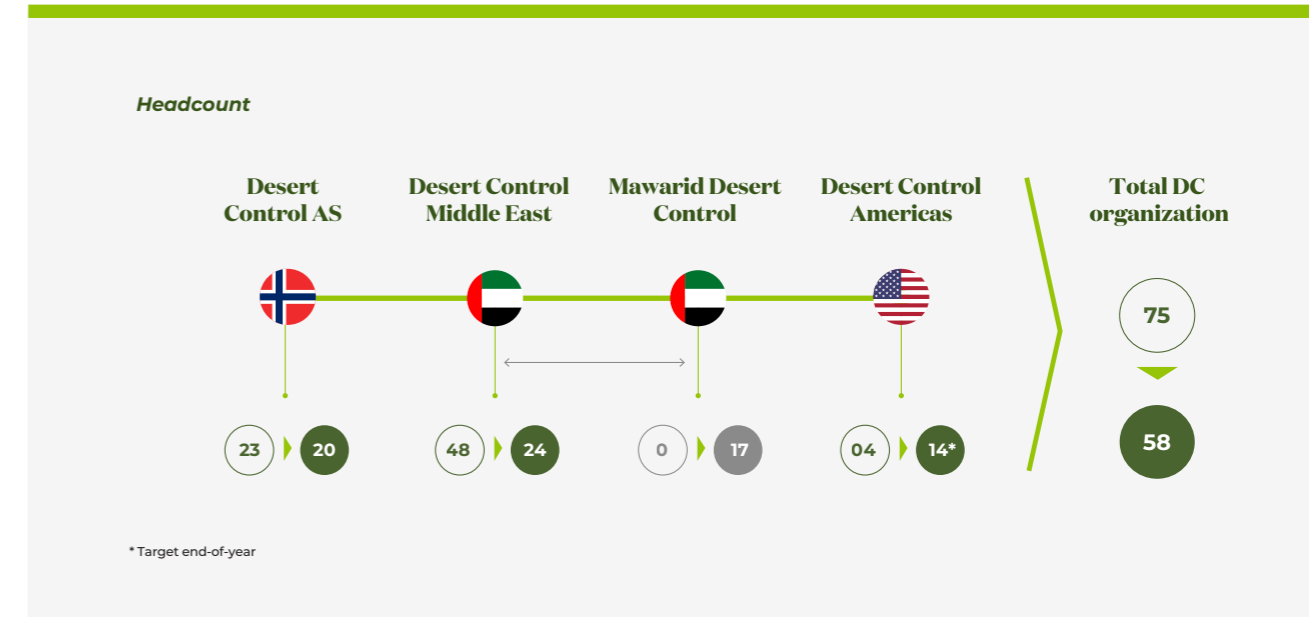
WATERPROOF THE FOUNDATION FOR GLOBAL SCALE-UP

- Ensure effective agile and scalable organization
- Continue dedication to the scale-on-demand model (investments linked to contracts)



GROW↑

- Gain accelerated commercialization in the United States
- Reach large-scale adoption of LNC in the Middle East
- Obtain a strategic position to grow into Southern Europe
- Waterproof the foundation for global scale-up



About

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 the usage of and improve the efficiency of; water, 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 increases 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.

Q3 2022 REPORT

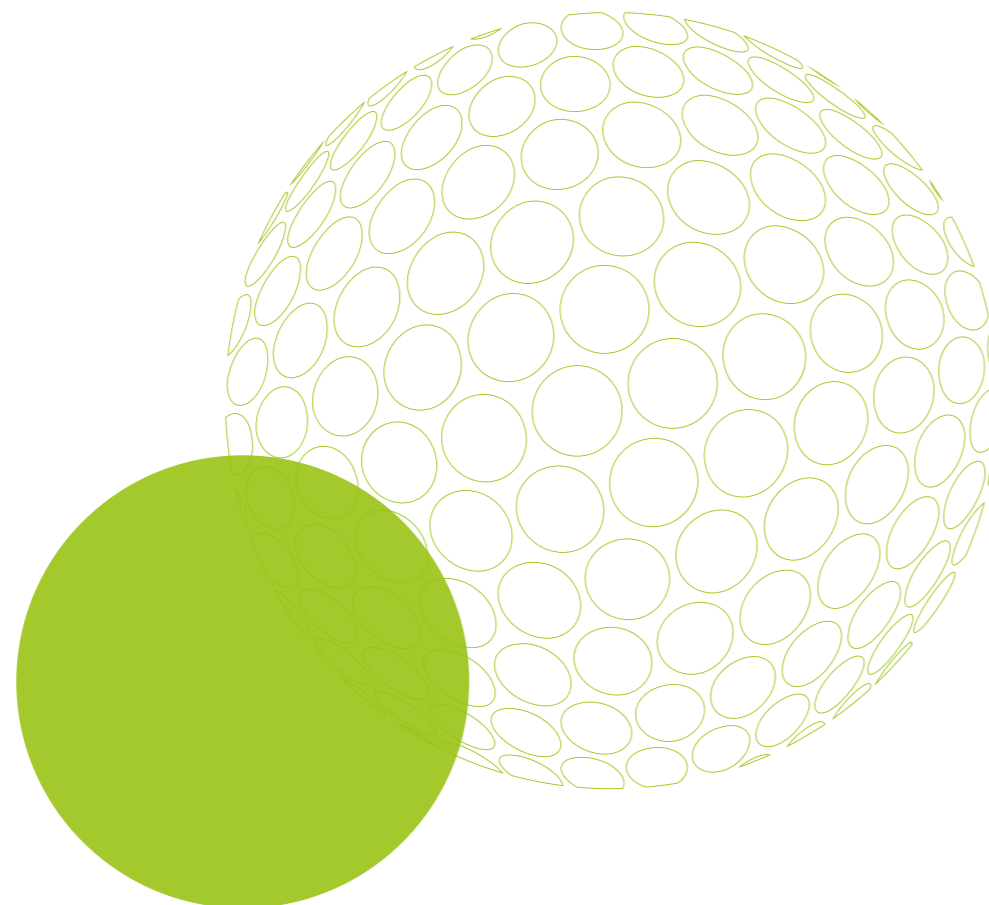
The information enclosed is subject to the disclosure requirements pursuant to sections 5-12 in the Norwegian Securities Trading Act.

Statement by the Management and Board of Directors

The Board of Directors and the CEO have considered and approved the Q3 2022 Report and Interim Financial Results for Desert Control Group (“Group”) for the first nine months ending on 30 September 2022. 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 Q3 2022 interim financial statements for the Company and the Group have been prepared in accordance with applicable accounting standards
- The information in the financial statements gives a true and fair view of the Company’s and the Group’s assets, liabilities, financial position, and results as of 30 September 2022
- The report for the Company and the Group gives a true and fair view of the Company’s and the Group’s development, performance, and financial position and includes a description of the principal risks and uncertainty factors facing the Company and the Group
- The Q3 2022 Report has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a



Sandnes, 22.11.2022

Knut Nesse
Chair

Geir Hjellvik
Board Member

Brage Wårheim Johansen
Board Member

Marit Røed Ødegaard
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Maryne Lemvik
Board Member

Kristian P. Olesen
Board Member

Financial Statement Desert Control AS

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Consolidated Statement of Comprehensive Income

(Amounts in NOK thousand, unaudited)	Notes	Quarters		First nine months		Full Year
		Q3 2022	Q3 2021	2022	2021	2021
Revenue from sales	2	129	2 277	1 182	2 277	3 127
Other income		-	-	-	-	-
Total income		129	2 277	1 182	2 277	3 127
Cost of goods sold (COGS)		616	325	2 358	519	563
Gross margin		-487	1 952	-1 177	1 758	2 564
Salary and employee benefit expenses		13 941	5 075	44 104	9 655	14 993
Other operating expenses		7 193	4 741	19 444	12 563	18 662
Depreciation and amortisation		1 707	-212	4 294	229	1 544
Impairment		-	-	-	-	658
Operating profit or loss		-23 328	-7 652	-69 018	-20 688	-33 293
Finance income	2	8 635	-899	14 415	-527	1 730
Finance costs		33	3	620	28	179
Profit or loss before tax		-14 725	-8 555	-55 223	-21 243	-31 743
Income tax expense		-	-	-	-	-
Profit or loss for the year		-14 725	-8 555	-55 223	-21 243	-31 743
Allocation of profit or loss:						
Profit/loss attributable to the parent		-14 725	-8 555	-55 223	-21 243	-31 743
Other comprehensive income/loss:						
Items that subsequently may be reclassified to profit or loss:						
Exchange differences on translation of foreign operations		-1 107	-	-3 387	-	-72
Total items that may be reclassified to profit or loss		-1 107	-	-3 387	-	-72
Total other comprehensive income/loss for the year		-1 107	-	-3 387	-	-72
Total comprehensive income/loss for the year		-15 832	-8 555	-58 610	-21 243	-31 815
Allocation of total comprehensive income/loss						
Total comprehensive income attributable to owners of the parent		-15 832	-8 555	-58 610	-21 243	-31 815

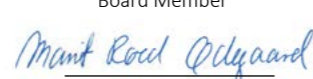
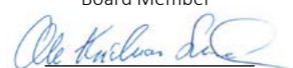
Consolidated Statement of Financial Position

(Amounts in NOK thousand, unaudited)	Notes	30.09.2022	30.09.2021	31.12.2021
ASSETS				
Non-current assets				
Goodwill		8 032	6 504	6 504
Research and development		-	-	-
Property, plant and equipment		24 345	2 482	10 525
Investment in subsidiaries		-	-	-
Right-of-use assets		1 240	2 324	2 006
Deferred tax assets		-	-	-
Total non-current assets		33 616	11 309	19 036
Current assets				
Inventory		99	-	-
Accounts receivable		127	771	544
Other receivables		7 228	10 884	5 597
Intercompany receivables		-	-	-
Other current financial assets		40 943	90 000	77 347
Cash and cash equivalents	2	59 453	101 173	101 924
Total current assets		107 850	202 828	185 412
TOTAL ASSETS		141 466	214 137	204 447
EQUITY AND LIABILITIES				
Equity				
Share capital		123	122	122
Share premium		230 849	230 849	230 849
Currency translation differences		-6 052	384	-107
Retained earnings		-91 658	-28 523	-36 592
Total equity		133 263	202 832	194 272
Non-current liabilities				
Non-current lease liabilities		-	521	1 423
Deferred tax liabilities		-	-	-
Non-current provisions		-	-	-
Total non-current liabilities		-	521	1 423
Current liabilities				
Current lease liabilities		648	1 402	528
Trade and other payables		4 597	223	2 523
Intercompany payables		-	-	-
Public duties payable		-209	347	1 023
Other current liabilities		3 167	1 323	1 497
Contract liabilities		-	7 488	3 181
Total current liabilities		8 203	10 784	8 751
Total liabilities		8 203	11 305	10 175
TOTAL EQUITY AND LIABILITIES		141 466	214 137	204 447

Sandnes, 22.11.2022


Knut Nesse
Chair

Geir Hjellvik
Board Member

Brage Wårheim Johansen
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

(Amounts in NOK thousand, unaudited)	Notes	Quarters	First nine months	Full Year	
		Q3 2022	Q3 2021	2022	2021
Cash flows from operating activities					
Profit or loss before tax		-14 725	-8 555	-55 223	-21 243
Adjustments to reconcile profit before tax to net cash flows:					
Net financial income/expense		-8 603	902	-13 795	555
Depreciation and amortisation		1 707	-212	4 294	229
Impairment		-	-	-	658
Share-based payment expense		33	139	157	672
Working capital adjustments:					
Changes in accounts receivable and other receivables		1 241	-1 272	-1 313	-9 653
Changes in trade payables, duties and social security payables		-552	-211	842	-683
Changes in other current liabilities and contract liabilities		-546	-270	-872	6 714
Net cash flows from operating activities		-21 445	-9 479	-65 909	-23 410
Cash flows from investing activities					
Purchase of property, plant and equipment		-2 643	-2 828	-13 798	-3 242
Purchase of financial instruments		247	-	36 744	-90 000
Proceeds from sale of property, plant and equipment		890	-	890	-
Interest received		594	295	594	295
Net cash flow from investing activities		-912	-2 534	24 430	-92 948
Cash flow from financing activities					
Proceeds from issuance of equity	3	-	-	1 200 000	200 000
Transaction costs on issue of shares	3	-	-	-10 093	-10 093
Lease payments		-824	-727	-1 551	-1 087
Interest paid		3	-3	-232	-28
Net cash flows from financing activities		-821	-730	-1 782	188 792
Net increase/(decrease) in cash and cash equivalents		-23 178	-12 743	-43 261	72 435
Cash and cash equivalents at beginning of the year/period	4	82 023	114 551	101 923	28 935
Net foreign exchange difference		608	-636	790	-197
Cash and cash equivalents, end of period		59 453	101 173	59 453	101 173

Consolidated Statement of Changes in Equity

(Amounts in NOK thousand, unaudited)	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 1 January 2020	68	43 537	-	-301	43 304
Profit (loss) for the year		-4 209		-7 020	-11 229
Other comprehensive income			-35		-35
Issue of share capital (Note 4.5)	1	1 719			1 720
Transaction costs		-52			-52
Share based payments (Note 4.8)				1 608	1 608
Balance at 31 December 2020	70	40 994	-35	-5 713	35 316
Profit (loss) for the year				-31 743	-31 743
Other comprehensive income			-72	53	-19
Issue of share capital (Note 4.5)	53	199 948			200 000
Transaction costs		-10 093			-10 093
Share based payments (Note 4.8)				811	811
Balance at 31 December 2021	122	230 849	-107	-36 592	194 272
Profit (loss) for the year				-55 223	-55 223
Other comprehensive income			-5 945		-5 945
Issue of share capital (Note 4.5)	1	-			1
Transaction costs					-
Share based payments (Note 4.8)				157	157
Balance at 30 September 2022	123	230 849	-6 052	-91 658	133 262

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 third quarter period ended 30 September 2022 were authorised for issue by a Board meeting held on 25 November 2022.

Desert Control AS is a private limited liability company incorporated and domiciled in Norway. Its 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.

LNC enables sand and degraded soil to retain water and nutrients, thus increasing crop yields and ecosystem resilience while preserving water resources by up to 50%.

Agriculture and food production already consume more than 70% of all available freshwater. Desertification and soil degradation drive a negative spiral of increasing water consumption and decreasing yields for global food production. Feeding our planet's growing population will require more food in the next 40 years than was produced over the last 500 years, putting even more pressure on vital resources such as water. This is the problem Desert Control is determined to solve. According to the United Nations, thirty million acres of fertile land (equal to Pennsylvania) perish to desertification annually, representing an annual loss of \$490 billion to the global economy. Desert Control's vision is to make our planet earth green again.

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 2021. 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. The consolidated financial figures for Q3 2021 and the first nine months 2021 are restated due to the first time adoption of IFRS.

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.

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. The Group has generally concluded that it is the principle in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

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 nine months		Full Year
	Q3 2022	Q3 2021	2022	2021	2021
Liquid NaturalClay (LNC)	129	2 277	1 182	2 277	3 127
Total	129	2 277	1 182	2 277	3 127

By geographic market:	Quarters		First nine months		Full Year
	Q3 2022	Q3 2021	2022	2021	2021
Norway	-	-	331	-	223
USA	-	-	-	-	-
UAE	129	2 277	851	2 277	2 903
Total	129	2 277	1 182	2 277	3 127

Finance income consist of unrealized exchange income from intercompany loans.

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 2020	22 681	3,00	68 043
Share issue	497	3,00	1 491
At 31 December 2020	23 178	3,00	69 534
Share split 1:1 000	23 178 000	0,003	69 534
Share issue 22 February 2021	340 000	0,003	1 020
Share issue 9 April 2021	17 108 640	0,003	51 326
Share issue 6 August 2021	98 000	0,003	294
			-
At 31 December 2021	40 724 640	0,003	122 174
Share issue 10 March 2022	375 040	0,003	1 125
At 30 September 2022	41 099 680	0,003	123 299

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

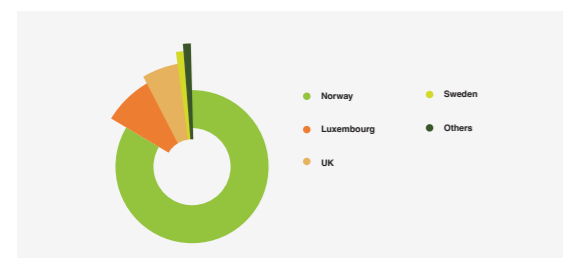
Reconciliation of the Group's equity is presented in the statement of changes in equity.

THE GROUP'S SHAREHOLDERS:**Shareholders in Desert Control AS at 30.09.2022**

	Total shares	Ownership/ Voting rights
Olesen Consult HVAC AS	5 900 000	14,4 %
J.P. Morgan SE	2 481 900	6,0 %
Ole Morten Olesen	1 650 000	4,0 %
Nordnet Livsforsikring AS	1 463 587	3,6 %
Lithinon AS	1 423 706	3,5 %
Idland	1 406 580	3,4 %
JPMorgan Chase Bank, N.A., London	1 380 432	3,4 %
Nesse & Co AS	1 360 000	3,3 %
Beyond Centauri AS	1 243 371	3,0 %
LIN AS	1 215 275	3,0 %
Monsunen Forvaltning AS	1 146 158	2,8 %
DNB BANK ASA	1 007 574	2,5 %
Jakob Hatteland Holding AS	1 000 000	2,4 %
Clearstream Banking S.A.	958 819	2,3 %
The Northern Trust Comp, London Br	958 275	2,3 %
Investore Finans AS	883 147	2,1 %
OKS Consulting AS	805 000	2,0 %
Sortun Invest AS	677 715	1,6 %
Glomar AS	627 715	1,5 %
Others	7 527 678	18,3 %
Totalt	41 099 680	100%

Origin of shareholders

No of shares	%	Origin	# shareholders
34 863 011	82	Norway	3 723
3 707 688	9	Luxembourg	18
2 424 285	6	UK	12
500 055	1	Sweden	11
604 640	1	Others	48
41 099 679	100	Total	3 812

**4 CASH AND CASH EQUIVALENTS****ACCOUNTING POLICIES**

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. 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 (Amounts in NOK thousand)	30.09.2022	30.09.2021	31.12.2021
Bank deposits, unrestricted	58 832	100 911	101 303
Bank deposits, restricted	621	262	621
Total cash and cash equivalents	59 453	101 173	101 924

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

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.



Vision and Mission



Making earth green again to foster the prosperity of life

- We aim to reclaim 100 million hectares of degraded land and desert by 2030
- We strive to create sustainable social impact, immense water savings, global food security, and regeneration of ecosystems to sequester carbon and balance our climate
- We aim to establish a Sub-Sahara social impact initiative by 2025 to reduce poverty and hunger

WATER, FOOD, AND A STABLE CLIMATE IS THE PATHWAY TO PEACE AND PROSPERITY FOR PEOPLE AND PLANET.



We combat desertification, land degradation, and water scarcity by;

- Restoring and enhancing soil ecosystems to protect vital topsoil;
- Reclaiming degraded land – turning sand into soil;
- Regenerating soil biodiversity and natural ecosystems;
- Reducing the consumption of water, fertilizers, and natural resources; for agriculture, forests, and green landscapes

DESERTIFICATION, LOSS OF FERTILE SOIL, AND GROWING WATER SCARCITY THREATEN ALL LIFE ON EARTH, FURTHER ACCELERATED BY CLIMATE CHANGE AND OVEREXPLOITATION OF NATURAL RESOURCES.



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 the usage of and improve the efficiency of; water, 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%.

FROM SAND TO SOIL IN 7 HOURS.

Our Strategy

Desert Control’s strategy is to build the foundation to bring our innovation to global markets with exponential scalability. The fundamental principles for executing our strategy are:

Think Big:

Everything we do must connect to a bigger picture and ultimately to our vision of making earth green again.

Start Small:

With the big picture (destination) in mind, we start small with laser focus and avoid spreading our resources too thin. Our business plan starts with a 2 + 2 strategy, focusing first on two segments and two countries; agriculture and landscaping in the United Arab Emirates and the United States, to ensure a successful foundation before expanding.

Act Fast:

Everything we do is with a sense of urgency. Once we reach our ambition, we level up quickly. With a good foundation for 2 + 2, we move on to 4 + 4, always accelerating with strong resolve.

Design to scale exponentially:

Everything we do must be scalable. The positive impact of our innovation must grow at an increasingly rapid rate in proportion to time. Climate change is a battle against time. With less than 60 years left before we run out of fertile topsoil, the only way to succeed is by solutions that can scale exponentially.

Keep it simple:

Keeping it simple is vital to achieving exponential scalability. In everything we do, we prepare for the future without “over-engineering” by the principle of simplicity. We constantly consider what happens if we multiply what we do today by thousands. By always preparing for the impact of growth, we cost-effectively design for efficiency at scale.



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

GROUP HQ – NORWAY

Desert Control AS
Grenseveien 21 (FOMO Works)
4313 Sandnes, Norway

ABU DHABI

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