

# FAQ

**Desert Control's Transition to a  
Licensed Operator Model for the  
Middle East**



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## Introduction:

This document discusses Frequently Asked Questions (FAQ) regarding Desert Control's transition to a royalty-based licensed operator model for the Middle East. The objective of the document is to provide insights into the strategic shift made by the Company and the various aspects of the licensed operator model.

Desert Control has decided to move to a licensed operator model,

entrusting key aspects of its Liquid Natural Clay (LNC) business, including the production, sales, and delivery of LNC, to its partners in the Middle East while retaining its focus on research, development, innovation, and global growth.

The licensed operator model empowers partners to operate autonomously in their respective markets, taking on all responsibilities related to LNC production, sales, and

delivery. Desert Control will provide essential support and expertise from its headquarters in Norway, ensuring a streamlined and efficient indirect go-to-market model for the Middle East.

The transition unlocks cash and reduces operational costs, allowing for more resource allocation to core innovation activities and the development of the U.S. and other markets.

### Definitions and abbreviations:

- "Company" refers to Desert Control.
- "Euronext" refers to the Oslo Stock Exchange, Euronext Growth index, where Desert Control is listed as a publicly traded company under the stock ticker DSRT.
- "H-EART" refers to Holistic Earth Advanced Regeneration Technologies SA, a partner of Desert Control in the Kingdom of Saudi Arabia.
- "KSA" refers to the Kingdom of Saudi Arabia.
- "LNC" refers to Desert Control's patented Liquid Natural Clay technology.
- "MHI" refers to Mawarid Holding Investment LLC, an Abu Dhabi, UAE-based partner of Desert Control.
- "MDC" refers to Mawarid Desert Control LLC, the J.V. company established jointly by Desert Control and Mawarid Holding Investment for the sales and distribution of LNC in the UAE and Middle East region.
- "Royalty" refers to the royalty fee payable to Desert Control and is based on a percentage of each partner's LNC revenue.
- "UAE" refers to the United Arab Emirates.

### Technical Terminology:

- "Control Systems" refers to systems that control production processes in production units.
- "Formulation" refers to the compositions of raw materials and any additives used for the production of LNC, the concentration of natural materials in LNC, and the amount (liters) used per tree or per m<sup>2</sup>.
- "Green Box" refers to a sealed box that protects key components covered by core I.P.
- "LNC Production Cluster" refers to a cluster consisting of four LNC Production Units.
- "LNC Production Units" refers to the complete mobile unit used for in-situ production of LNC.
- "Reactor" refers to key LNC processing technology in the production units.

The FAQ document is organized into five chapters:

1. Strategic, Market, and Financial Related FAQ
2. Quality Assurance Related FAQ
3. Intellectual Property Related FAQ
4. Changes to Group Structure and Headquarter Functions Related FAQ
5. Regulatory Compliance and Other Items FAQ

For further inquiries and any questions not covered, please contact us by mail at [post@desertcontrol.com](mailto:post@desertcontrol.com)

## I – Strategic, Market, and Financial Related FAQ

### 1.1 WHAT IS THE TRANSITION TO A LICENSED OPERATOR MODEL, AND WHY DID DESERT CONTROL DECIDE TO MAKE THIS CHANGE?

The transition to a licensed operator model is a result of Desert Control's strategic review announced in the Stock Exchange Release of 27 April 2023. <https://newsweb.oslobors.no/message/588862> It enables Desert Control to streamline operations and shift resources to strengthen R&D and development of the U.S. and other markets while licensed partners (MHI and H-EART) continue developing the Middle East markets. The partners will be responsible for production, sales, and delivery of LNC in the local markets. The change unlocks cash (adds approximately NOK 40M of liquidity to Desert Control) and lowers annual operational costs by approximately NOK 15M following the completion of the transition. For more details on the completion of the Company's strategic review for the Middle East, read the Stock Exchange Release of 3 July 2023. <https://newsweb.oslobors.no/message/594614>

The change to a fully licensed operator model for the Middle East was further made to streamline the go-to-market model for the region, avoid complexities of mixed responsibilities in the previous hybrid model, and allow partners to operate autonomously to develop the Middle East markets.

### 1.2 HOW DOES THE LICENSED OPERATOR MODEL WORK?

In the licensed operator model, Desert Control grants local partners

rights to produce, sell, and deliver LNC in specific geographic markets. The operators are responsible for all aspects of the LNC business in their local markets. Desert Control receives a royalty based on the total monthly gross LNC sales of the operators.

Under the licensed operator model, MHI retains exclusive sales and distribution rights for the UAE, with non-exclusive rights to sell and deliver LNC in a wider Middle East territory. MHI acquires Desert Control's LNC production company in the UAE, takes full ownership of MDC, and buys one LNC production cluster to take on complete responsibility for the production, sales, and delivery of LNC in the territory — more details in the Stock Exchange Release of 22 June 2023. <https://newsweb.oslobors.no/message/593939>

H-EART enters as a new partner and licensed operator with non-exclusive rights to produce, sell, and deliver LNC in the Kingdom of Saudi Arabia (KSA). H-EART buys one

LNC production cluster and further anchors the strategic partnership with a NOK 10M investment in Desert Control (DSRT) — more details in the Stock Exchange Release of 3 July 2023. <https://newsweb.oslobors.no/message/594606>

Both partners will further manage the fabrication and assembly of LNC production units locally, respectively, in the UAE and KSA, under a model designed to safeguard and protect Desert Control's intellectual property. This ensures efficient scale-up of LNC production capacity for partners while limiting CAPEX requirements for Desert Control.

MHI and H-EART will operate autonomously in the local Middle East markets, managing all aspects of the LNC business. Desert Control will provide support and specific hardware components from its headquarters in Norway. The partners will pay a royalty as a percentage of all LNC sales and will, in addition, pay for support, various services, and technology components.





### 1.3 HOW WILL THE LICENSED OPERATOR MODEL IMPACT DESERT CONTROL'S FUTURE CAPEX REQUIREMENTS?

The licensed operator model results in a more capital-efficient structure for Desert Control. As the licensed operators take on the responsibility and ownership of LNC production equipment and assets, Desert Control avoids significant capital expenditures in the licensed operator markets. This allows the Company to allocate capital more strategically towards innovation, R&D, and growth in the United States and new markets.

### 1.4 WHAT IS THE ROYALTY PERCENTAGE FOR THE LICENSED OPERATOR MODEL?

The exact royalty percentage for the licensed operator model is confidential information and not disclosed. However, it is based on the total monthly gross LNC sales revenue of the operators. Certain pilots may be omitted from royalty calculations, and special bid conditions may be agreed on a case-by-case basis for specific strategic projects. Adjusted for these factors

and including other revenues (such as support services, sales of equipment, and technology components, etc.), the income Desert Control will receive, calculated as a percentage of the operator's total LNC revenue, is estimated to be in the range of 5-10%. Desert Control anticipates a higher number of pilot projects in the early phases of operator agreements to impact the average percentage towards the lower end of the range initially. The royalty is calculated based on the higher of the actual sales price to the final end-user client or a contractual minimum floor price per liter of LNC. The minimum floor price per liter of LNC is only for royalty calculation purposes. Desert Control will not be involved in deciding the operator's pricing of LNC to end-user clients.

### 1.5 HOW MUCH MONTHLY LNC SALES AND REVENUE IS IT EXPECTED FOR THE LICENSED OPERATORS TO GENERATE?

Desert Control will not provide any forecasting of the operator's monthly revenue generation at this point. However, the operators will own the production assets going forward and

thereby be incentivized to achieve optimal utilization of assets. Desert Control will maintain reporting of the number of LNC production units and clusters under the licensed operator model. The total monthly LNC production capacity, combined with assumptions for utilization, may serve as indicators for monthly revenue potential.

The current LNC production capacity of the licensed operators is made up of two fully operational clusters, each consisting of 4 LNC production units. MHI will operate one cluster currently in the UAE, and H-EART will operate one cluster in KSA.

LNC production capacity per unit increased by more than 2X during H1-2023, as reported in the Q1 Company update. Based on this, the current cluster capacity can be approximately 1 million liters of LNC production per work-day (based on full utilization for an 8-hour shift). Continuing R&D and innovation efforts may result in further increases in production capacity per unit and provide further improvements to the unit economics.

### 1.6 WILL DESERT CONTROL RECEIVE ROYALTY FROM ANY RECURRING REVENUE, SUCH AS RE-TREATMENTS AND LNC TOP-UPS PROVIDED AS PART OF ONGOING MAINTENANCE?

Yes, every liter of LNC produced, sold, and delivered by the operators is subject to the agreed royalty percentage, including re-treatments and top-ups for maintenance purposes etc. This ensures a fair and consistent revenue stream for Desert Control.

### 1.7 WHAT IS THE ROYALTY PERCENTAGE INTENDED TO COVER?

The royalty is a key income stream for Desert Control. The royalty fee paid by the licensed operators represents a percentage of their total monthly gross LNC sales and is not intended to cover Desert Control's operational costs. It is important to note that Desert Control's revenue from the royalty is independent of the licensed operator's operational expenses and profits. In addition to the royalty income, Desert Control may generate revenue from providing technology transfer and support services to the licensed operators. This may include assistance in the LNC production process, training programs, remote guidance, troubleshooting, customized R&D, and on-site assistance, etc. The licensed operators will compensate Desert Control for these services based on predefined market rates.



### 1.8 HOW WILL DESERT CONTROL ENSURE ACCURATE ROYALTY PAYMENTS AND AVOID ROYALTY AVOIDANCE BY THE LICENSED OPERATORS?

Desert Control has put in place mechanisms to ensure accurate royalty payments and prevent any royalty avoidance practices by licensed operators. These measures are designed to promote transparency, fair market value, adherence to the agreed-upon terms, and continuous mutual value creation. The licensed operators are required to maintain accurate records and provide monthly reports on LNC production volume and sales. Desert Control retains the right to audit these records to verify the calculation of royalty payments. The audit process helps ensure compliance and accuracy in the reporting of LNC-related sales.

The licensed operators are further prohibited from engaging in any actions or transactions with the purpose or effect of reducing or avoiding the calculation of royalty payments. The royalty is calculated based on actual sales value and market prices of LNC as sold and delivered to the actual end-user clients. Further, a minimum floor price per liter of LNC produced is set to ensure avoidance of royalty calculation. All transactions involving the licensed operators, their affiliates, subsidiaries, or related parties are conducted on an arm's length basis, consistent with prevailing market conditions and commercial terms. This ensures that any transfer of LNC or related services among entities is executed at fair market value without influencing royalty calculation.

Desert Control is also involved in approving formulations for projects to ensure quality assurance and proper record keeping. This ensures that the LNC volumes applied and implemented are accurately recorded. Such records may also serve for validation of royalty calculations along with readings from the LNC production units.

It is also important to note that the licensed operators will benefit from future research and development efforts, technological improvements, and innovations that enhance efficiency, capacity, and unit economics. Desert Control's commitment to continuous value addition motivates operators to see the royalty as a valuable investment in their long-term success.

### 1.9 ARE THERE ANY PERFORMANCE TARGETS FOR THE LICENSED OPERATORS UNDER THE ROYALTY MODEL?

Yes, there are minimum performance targets set for the licensed operators as part of the royalty model agreement. Each licensed operator is required to achieve specific annual LNC revenue targets to maintain their agreement's terms and conditions with Desert Control. While the exact monetary value of these targets is not disclosed publicly, the performance targets are designed to ensure the licensed operators' commitment to the successful implementation and growth of the LNC business in their respective markets.

The performance targets serve as an essential aspect of the licensing agreement, driving accountability and incentivizing the operators to actively work towards achieving significant revenue milestones. By setting these targets, Desert Control seeks to ensure that the market potential in each geography is utilized, maintaining aligned interests, and creating mutual commitments to the long-term success of the licensed operator model.

### 1.10 ARE THERE ANY NON-COMPETE CLAUSES IN THE LICENSING AGREEMENTS WITH THE OPERATORS?

Yes, the licensing agreements with the operators include non-compete clauses. These clauses are put in place to protect Desert Control's intellectual property rights and to ensure that the licensed operators



focus solely on the successful implementation and operation of the LNC business within the defined territory.

### 1.11 HOW WILL THE LICENSED OPERATOR MODEL BE DIFFERENT FROM THE PREVIOUS J.V. MODEL WITH MDC?

In the previous model, MDC was set up as a J.V. company responsible for sales and distribution of LNC, but MDC was not involved in LNC production and did not invest in production assets and equipment. Desert Control maintained two fully owned company entities (subsidiaries of Desert Control AS) in the UAE; Desert Control Middle East LLC, and Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC, jointly referred to as DCME. The DCME entities owned the production assets and were responsible for the production of LNC, with MDC as its sole client. For each project sold by MDC, DCME had to separately determine several aspects related to client requirements, including custom LNC formulations, etc. Further, DCME would deploy LNC production capacity and personnel

to each location of MDC projects and work diligently to align LNC production rates with the pace and rate of application carried out by MDC.

Under the new licensed operator model, partners take full responsibility for the entire value chain, including LNC production, sales, and delivery, resulting in a streamlined indirect go-to-market model. Desert Control supports the partners from its headquarters without the need for local subsidiaries.

### 1.12 WHAT CHALLENGES DID DESERT CONTROL FACE IN THE PREVIOUS HYBRID MODEL WITH MDC?

The previous hybrid model with MDC presented several complexities due to mixed responsibilities. The client's end result was dependent on factors where responsibilities were divided for multiple interlinked parts of the value chain. Obtaining and maintaining regulatory approvals may also be more challenging in a mixed model where the responsibilities are divided between

different parties for a value chain with interlinked parts that are dependent on each other for the final outcome. Further, the hybrid model, where both Desert Control and the partner maintained separate corporate entities with complete staffing, in addition to a fully staffed J.V., created significant overhead with additional cost and efficiency implications.

### 1.13 WHAT ARE THE BENEFITS OF THE LICENSED OPERATOR MODEL OVER THE PREVIOUS HYBRID MODEL WITH MDC?

The fully licensed operator model eliminates complexities associated with mixed responsibilities in the previous hybrid model, creating a more streamlined and effective approach. By fully transferring production, sales, and delivery responsibilities to licensed operators, Desert Control can avoid the need for costly local subsidiaries and operations, which optimizes the use of capital and resources.

### 1.14 HOW WILL DESERT CONTROL ADDRESS POTENTIAL CHALLENGES IN THE TRANSITION TO THE LICENSED OPERATOR MODEL?

Desert Control will leverage its experience from both the previous hybrid model with MDC and its

direct sales model combined with a collaborative approach with its partners to proactively determine optimal solutions for any challenges that may arise during the transition.

### 1.15 WHAT IS THE TIMELINE FOR THE TRANSITION TO THE FULLY LICENSED OPERATOR MODEL?

The transition to the fully licensed operator model in the Middle East is targeted for completion during the second half of 2023. Desert Control is committed to supporting its partners and employees through this process to ensure a seamless and successful transition.

### 1.16 WILL DESERT CONTROL ISSUE STOCK EXCHANGE RELEASES FOR SIGNIFICANT WINS WITH CLIENTS IN THE MIDDLE EAST GOING FORWARD?

As part of the transition to the licensed operator model, each partner who executes the LNC business in the Middle East will operate autonomously and independently. Therefore, disclosure practices for contracts and sales opportunities with clients will be managed by the respective partners based on their own policies and in compliance with local regulatory requirements.

Desert Control will continue to actively support its partners in executing the licensed operator model, and from time to time, the Company may issue releases about significant orders from the operators where Desert Control is actively involved by the partner. However, revenue recognized from the licensed operator model will be included in the Company's quarterly financial statements, providing transparent insights into the financial performance and progress of the business.

### 1.17 HOW WILL DESERT CONTROL'S FINANCIAL MANAGEMENT STRATEGY ADAPT TO THE CHANGING BUSINESS MODEL AND MARKET DYNAMICS IN THE MIDDLE EAST?

Desert Control remains committed to financial discipline and capital allocation efficiency, irrespective of the evolving business model. As the licensed operator model unfolds, the Company will closely monitor market dynamics, sales volumes, and profitability metrics. By maintaining a keen focus on operational performance, Desert Control will adapt its financial management strategy to optimize capital allocation and cash flow to ensure financial flexibility and drive long-term shareholder value.



### 1.18 WILL DESERT CONTROL CONTINUE ITS DIRECT MODEL FOR THE UNITED STATES?

Yes, Desert Control will maintain its direct model for the United States. Experience from both models will help determine the optimal go-to-market strategy for future markets.

### 1.19 CAN YOU PROVIDE FURTHER DETAILS ON DESERT CONTROL'S STRATEGY TO STRENGTHEN ITS MARKET PRESENCE IN THE UNITED STATES?

The United States is the world's largest and most developed agricultural market. Several of the U.S. agricultural academic and research institutions are leading on a global level, and the market has a wide range of early adopters of innovation and AgTech solutions. To leverage these opportunities, Desert Control pursues a strategy of allocating more resources to strengthen and accelerate the development of the U.S. market.

Desert Control's entry strategy for the United States revolves around a customer conversion model aimed at building trust through a customer journey divided into three key phases:

- **Phase 1** - Technical Pilots: Engagement with potential customers is initiated through smaller-scale pilot programs, validating LNC's efficiency – essentially proving that "it holds water."
- **Phase 2** - Extended Pilots (Commercial Pre-projects): Successful Stage 1 pilots evolve into larger pre-projects where the goal is to demonstrate LNC's scalability and economic viability across larger areas, assessing cost savings and the impact on yield and crop quality.
- **Phase 3** - Full-Scale Deployment: Upon successfully completing Stage 2, the objective is to enter contracts for full-scale deployment.

The goal for 2023 is to secure 20 technical pilots, targeting a minimum of 50% conversion to larger projects. This means that 10 or more of the technical pilots should turn into extended commercial pre-projects, resulting in at least 5 contracts for full-scale deployment. With 10 technical pilots secured in the U.S. during the first half of 2023, Desert Control is on track according to plan. The objective is to start entering the phase for contract negotiations for full-scale deployments from around the end of 2023.

By systematically progressing through these phases, Desert Control aims to gain the trust of potential customers, demonstrate the efficacy of LNC, and secure contracts for full-scale implementations. The recent approval of LNC by the Organic Materials Review Institute (OMRI) in compliance with USDA standards for organic farming further strengthens the Company's efforts in the U.S. market. The experience gained through the execution of the customer conversion model in the U.S., combined with experiences from the indirect model in the Middle East, will strengthen Desert Control's foundation for further global expansion.

### 1.20 WILL DESERT CONTROL CONSIDER EXPANDING THE LICENSED OPERATOR MODEL TO OTHER REGIONS OR MARKETS?

Desert Control will use the experience gained from the Middle East licensed operator model to determine its applicability and potential expansion to other regions and markets. Desert Control remains open to exploring opportunities for licensing the LNC technology to partners in other industries or applications. The Company will evaluate such opportunities based on strategic alignment and the potential for positive impact.

### 1.21 WHAT ARE THE OVERALL BENEFITS OF THE LICENSED OPERATOR MODEL FOR DESERT CONTROL?

The licensed operator model allows Desert Control to avoid the cost of local subsidiaries and operations in the Middle East markets. It also eliminates the need to invest in LNC production equipment for the region, and partners will handle fabrication and assembly locally. The partners will own and operate LNC

production equipment and further be responsible for regulatory aspects of the business in the Middle East countries. Desert Control can focus on supporting partners from its headquarters and maintain a more streamlined and efficient structure. The partners' autonomy enables streamlined decision-making and creates a more efficient process for obtaining regulatory approvals and accelerating commercialization in the region.

The transition further unlocks cash and reduces operational costs, allowing for more resource allocation to core innovation activities and the development of the U.S. and other markets.



## 2 – Quality Assurance Related FAQ

### 2.1 HOW WILL DESERT CONTROL ENSURE QUALITY CONTROL AND CONSISTENCY OF LNC IN THE LICENSED OPERATOR MODEL?

Desert Control will provide necessary technology transfer, know-how, and support to partners to ensure the successful implementation and operation of LNC production and application processes. Partners will follow strict quality assurance documentation and receive support from Desert Control to maintain quality and consistency. Partners will further receive training and workshops to enhance their understanding and proficiency in LNC production and application to ensure the highest quality standards and optimal customer experience. Desert Control further has audit rights in multiple areas, including for quality assurance purposes.

### 2.2 WILL DESERT CONTROL CONTINUE TO BE INVOLVED IN LOCAL PROJECTS EXECUTED BY PARTNERS?

While partners take on full responsibility for LNC production, sales, and delivery, Desert Control will maintain a supportive and quality assurance focused role. Depending on project complexities and specific requirements, Desert Control may be actively involved in selected projects to ensure successful outcomes. However, the primary execution of projects will be managed autonomously by the licensed operators, with Desert Control involved in providing technology transfer and support services.

### 2.3 WILL DESERT CONTROL PROVIDE TRAINING TO THE LICENSED OPERATORS?

Yes, Desert Control is committed to ensuring that the licensed operators are fully equipped to manage the application of LNC technology. This includes requirements for the operators to complete training programs in addition to the ongoing technical support provided by Desert Control.

### 2.4 WILL THE QUALITY OF THE LNC BE AFFECTED BY THE NEW LICENSED OPERATOR MODEL?

The quality of LNC will remain. The licensed operators will be rigorously trained, and quality assurance measures will be performed to

ensure that the LNC production adheres to the same stringent quality standards as before.

### 2.5 HOW WILL DESERT CONTROL ENSURE THAT THE LICENSED OPERATORS COMPLY WITH SAFETY AND ENVIRONMENTAL REGULATIONS?

Desert Control incorporates safety and environmental compliance as part of the agreements. Licensed operators will be required to adhere to all applicable safety and environmental regulations in their operations. The partners and any 3rd parties of Desert Control are also required to adhere to the Company's code of conduct.



## 3 – Intellectual Property Related FAQ

### 3.1 HOW DOES DESERT CONTROL PROTECT ITS INTELLECTUAL PROPERTY (I.P.) IN THE LICENSED OPERATOR MODEL?

Desert Control retains full ownership of its I.P., and partners receive a limited license to utilize the technology solely for manufacturing, production, sales, and delivery. Strict confidentiality and non-disclosure agreements are in place to protect the licensed I.P. from unauthorized use or disclosure.

### 3.2 HOW WILL THE PARTNERS MANUFACTURE AND ASSEMBLE LNC PRODUCTION UNITS?

The partners will manage the fabrication and assembly of LNC production units and clusters locally, similar to how Desert Control previously worked with selected fabrication and assembly partners for non-IP-sensitive aspects in the UAE. This approach ensures efficient scale-up of production capacity for partners while safeguarding confidential information, intellectual property, and trade secrets of Desert Control.

Desert Control will have a dedicated model for IP-sensitive components to safeguard confidential information and trade secrets. Partners will have access to procure and implement specific IP-sensitive components such as, for example, sealed "green boxes" required to execute LNC production.

### 3.3 WHAT MEASURES HAS DESERT CONTROL PUT IN PLACE TO PROTECT INTELLECTUAL PROPERTY (I.P.)?

Under the licensed operator

model, Desert Control ensures the protection of its intellectual property by implementing measures and provisions within the licensing agreements along with various security layers and safeguards to protect I.P., including, for example:

**Limited License:** The licensed operators receive a license to use Desert Control's technology solely for the production, sales, and delivery of LNC as per the terms of the agreement. However, no rights or title are transferred to the licensed operators, and all current and future I.P. remains the sole property of Desert Control.

**Protection of core I.P. components:** Licensed operators are prohibited from accessing, reviewing, modifying, disassembling, or reverse-engineering core intellectual property components, such as green boxes. They are required to treat these components as highly confidential information and take all necessary measures to protect them from unauthorized access, disclosure, or use.

**Limited Access and Need-to-Know Basis:** Measures are put in place to restrict access to sensitive information and technical specifications related to core I.P., such as green boxes, on a role-based need-to-know basis.

**Non-Disclosure and Confidentiality Obligations:** The licensing agreements include strict covenants and measures that require the licensed operators to protect and maintain the confidentiality of the licensed I.P. The operators must

implement security measures to safeguard the confidentiality and integrity of the licensed intellectual property. They are required to ensure that employees, agents, and subcontractors are bound by strict confidentiality obligations and non-disclosure agreements, preventing any unauthorized use, reproduction, or disclosure of Desert Control's intellectual property or trade secrets.

These are some examples of measures and provisions put in place to protect Desert Control's I.P., maintain the integrity of the licensed operator model, and ensure that the technology and expertise are utilized solely for the benefit of the LNC business by the licensed operators. By enforcing these safeguards, Desert Control aims to maintain a competitive advantage and secure the long-term success of its innovative technology through partners in the region.



## 4 – Changes to Group Structure and Headquarter Functions Related FAQ

### 4.1 DOES THE TRANSITION TO THE LICENSED OPERATOR MODEL DRIVE ANY CHANGES IN GROUP AND HEADQUARTER FUNCTIONS?

The transition to a licensed operator model enables Desert Control to empower local partners to take on complete responsibility for the value chain, such as LNC production, sales, and delivery in the Middle East. With licensed operators managing these functions locally, the need for certain roles and functions at the headquarters changes. This shift allows the Company to optimize cost efficiency and focus headquarter functions on essential support functions, R&D, technical support, management of I.P., innovation, technology, and strategy for overall business development and optimization of go-to-market models for future markets.

### 4.2 HOW DOES THE DIRECT MODEL STRATEGY IN THE UNITED STATES IMPACT THE ORGANIZATION AT THE HEADQUARTERS?

Strengthening the direct go-to-market model in the United States requires a stronger local presence to drive sales and operational delivery

effectively. As a result, certain functions that were previously managed from the headquarters will be more effective by being localized in the U.S., closer to the market, thereby contributing to a more efficient and market-focused approach.

### 4.3 HOW WILL THIS NEW BUSINESS MODEL AFFECT EMPLOYEES OF DESERT CONTROL?

The shift to a licensed operator model will allow Desert Control to focus more on R&D, innovation, and support for licensed operators, along with driving global growth. This change will provide new opportunities for the team. The Company foresees new opportunities for employees emerging to manage and support the new model.

### 4.4 HOW WILL DESERT CONTROL MANAGE KNOWLEDGE AND EXPERIENCE FOR FUTURE MARKETS AND BUSINESS DEVELOPMENT?

Desert Control headquarters in Norway will play a vital role in managing knowledge and experience to determine optimal models for future markets and business

development. Key support functions, R&D, technical support, management of I.P., innovation, and technology development will remain central functions at the headquarters. The Company's experience from the licensed operator model in the Middle East combined with the direct model in the United States will guide the development of future go-to-market structures, ensuring efficient expansion and growth in new territories. As Desert Control continues its journey of innovation and expansion, the strategic restructuring aims to position the Company for sustained growth and long-term success, with a focus on delivering exceptional value to customers, partners, and stakeholders.



## 5 – Regulatory Compliance and Other Items FAQ

### 5.1 HOW WILL DESERT CONTROL ENSURE COMPLIANCE WITH REGULATIONS AND CERTIFICATIONS IN THE MIDDLE EAST UNDER THE LICENSED OPERATOR MODEL?

The licensed operators will be responsible for obtaining and maintaining regulatory approvals and complying with regulations in the local markets. Desert Control will continue to support its partners in obtaining necessary certifications and regulatory approvals for LNC products in their respective territories.

### 5.2 HOW WILL DESERT CONTROL ENSURE THAT THE LICENSED OPERATORS ADHERE TO ETHICAL AND ENVIRONMENTAL STANDARDS IN THEIR OPERATIONS?

Desert Control's agreements with licensed operators include covenants to ensure compliance with ethical and environmental standards. Desert Control is committed to sustainable and ethical practices and will work closely with partners to uphold these values in their operations.

### 5.3 HOW DOES THE AGREEMENT HANDLE CHANGES IN LAWS OR REGULATIONS?

The licensed operators are required to comply with applicable laws and regulations in their local markets. Any changes in laws or regulations that may impact the licensed production or distribution of LNC within their market will be managed by the partners, who will seek support from Desert Control when required.

### 5.4 HOW DOES THIS CHANGE DESERT CONTROL'S MISSION AND LONG-TERM VISION?

The shift to a licensed operator model aligns with the Company's long-term vision of expanding the reach and impact of LNC solutions globally. Desert Control remains committed to its mission of making earth green again. This change enables the Company to work with local operators who understand the local markets, allowing Desert Control to create a more meaningful impact.

### 5.5 HOW CAN I STAY UPDATED ON THE PROGRESS AND IMPACT OF THIS NEW MODEL?

Desert Control will provide regular updates on the progress and impact of the licensed operator model through official communication channels, including Desert Control's website, press releases, and fiscal reports.



# MAKING EARTH GREEN AGAIN

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