

## H1 2021 Presentation Desert Control (Transcript)

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Welcome and brief information about technicalities for the Q&A:

- Welcome to the H1 2021 Desert Control webcast presentation.
- We invite you to use the Q&A function for questions; these will be answered after the presentation.
- Before you submit your question, we ask that you check if someone has raised it before. If already raised, use the thumbs up/like button to upvote the question. The more upvotes a question gets, the higher it will be prioritized.

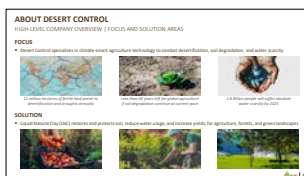
Before the H1 2021 Presentation Agenda, Desert Control's CEO will briefly introduce the company.

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Our vision is to make earth green again. Restoring degraded land at scale will contribute significantly to global food security, reduce water scarcity, and help our planet's CO2 balance sheet at the same time. Delivering on this vision will safeguard our future and foster prosperity for people and planet.

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We aim to fulfill our mission by specializing in climate-smart agri-tech solutions to combat desertification, soil degradation, and water scarcity. Our patented solution Liquid Natural Clay (LNC), can reclaim degraded land and deserts, restore and protect soil, reduce water usage, and increase yields for agriculture, forests, and green landscapes.

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I am Ole Kristian Sivertsen, CEO of Desert Control, and I will take us through today's agenda, which has three parts:

- First, I will present H1 highlights and outlook
- Next, our CFO Erling Rasmussen will present the H1 financial results
- Then, we finish with a Q&A



The headline summarizing H1 is focused execution to prepare for operational scale-up.

- We started the year with nine employees; 6 in Norway and 3 in the United Arab Emirates.
- LNC had passed validation by independent research for agriculture and landscaping.
- Production of LNC was still at laboratory scale suitable for small field trials and pilots.
- The first industrial prototype for LNC production passed initial tests in January, confirming the technical feasibility for reaching the production capacities required to support our business plan.

We started the year with a validated plan. To realize the plan, we needed capital to fund it, technology to deliver it, and people to execute the plan.

Six months into the year, we are proud to report progress in all areas. I will share selected highlights under the following structure: (1) Corporate Development, (2) Technology and Operation, and (3) Commercial and Market.

### 1) Corporate Development

- In March, we raised 200M NOK to fund our plan, followed by public listing on Euronext Growth in April.
- Further, we established a subsidiary in Abu Dhabi to build an operational headquarter for the UAE.
- We also progressed on our planning for future US activities.
- Also worth mentioning is an 11,9M NOK R&D grant awarded by Innovation Norway.
- Financially we finished the first half without interest-bearing debt and a positive net cash position of 204M NOK.

### 2) Technology and Operation

- With funding secured, we accelerated progress on technology development.
- The 2nd prototype for LNC production reached the 15,000 liters per hour capacity target, and we are on track to continue increasing production capacity as projected.
- Further, we initiated hiring activities for a significant ramp-up of people to execute the plan for the second half.

### 3) Commercial and Market

- On June 8th, we announced our first commercial contract and the MoU for a strategic partnership with agriculture and nature conservation giant Mawarid Holding in the United Arab Emirates.
  - More details about the Mawarid project to come in the next slides.
  - The strategic partnership will be covered in the outlook section later in the presentation.
- Also worth mentioning is winning the prestigious award for green innovation at the global climate impact event Greentech Festival in June.
- Throughout the first half, we further exceed water-saving KPIs for several pilots.
  - More details about the pilots to come on slide 9.

**In summary**, we achieved significant milestones during H1:

- We secured capital to fund our plan.
- We are on track to develop technology and production capacity to deliver.
- And we are on track to hire the people needed to execute.

Demand is growing; we have positive traction with customers and a strong partner to go to market with pending a successful pilot outcome during H2.

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Let's take a closer look at the Mawarid initiative.

The initial contract value is 3.4M NOK. It includes implementing LNC for agriculture and forestry applications to serve as a pilot for collaboration and to shape the foundation for a potential strategic partnership.

Part 1 of the pilot focus on the creation of arable land to enable local agriculture in desert conditions while preserving water. Several crops are selected to be grown in desert sand.

We will also implement LNC to reduce the water consumption for date palms. A single date palm tree can require 250 liters of water per day in the summer months. With 40 million date palms in the UAE, that's 10 billion liters of water per day. That's enough to fill 4,000 Olympic swimming pools daily, just to give a glimpse of the LNC impact value we aim to document through this pilot.

Other water-intensive crops such as alfalfa and panicum are also important parts of the initiative.

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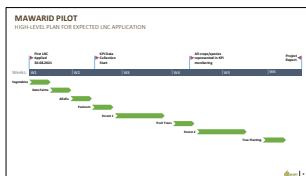
The second part of the pilot focus on trees and forests.

Mawarid manages some 13 million forest trees across nature reserves, planted forests, and green belts along roads and highways – all of which are irrigated.

The pilot will focus on reducing water consumption for existing trees and forests.

We will also dedicate a part of the initiative to the sustainable planting of trees in the desert. Across the Middle East, there are plans for planting tens of billions of trees. Enabling forestation in desert conditions with less water requirements will be vital to succeed.

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In terms of execution, the pilot implementation has started.

Monday, August 30th, the first LNC went into the ground for vegetable planting, followed by treatment of date palm plantation. Next week the plan is to continue with alfalfa and panicum before moving on to forests and tree planting.

The KPI for the pilot is focused on water saving, and we will get performance data within weeks of treatment. The process we follow is identical to the process used by research organizations:

- Each area is split into two equal plots.
- One plot is treated with LNC, and the other serving as a control for reference.
- Sensors measuring the soil humidity percentage are installed on both plots.
- The KPI criteria is to always maintain equal soil humidity percentage for both plots.
- Each plot has dedicated irrigation pipes, and the amount of water applied to each plot is measured using water flowmeters.
- As LNC enables the sand to retain water, less water will be required to maintain the same soil moisture as the control. Data uploaded to our cloud service will continuously give us KPI data documenting the water savings achieved.

In October, we expect to present Mawarid with the initial project report and KPI data. This will allow us to progress with further partnership and commercial discussions.

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During the first half, we also reported strong performance of pilots and exceeding water-saving KPIs.

Mawarid is our highest priority, and aligned with this initiative, negotiations and planning activities for converting other pilots are ongoing.

- The most important factor for timing of these opportunities is LNC production capacity.
- We are still limited, with only two prototype units in operation.
- As more capacity comes online, our ability to deliver is being carefully mapped with the requirement of each specific opportunity.
- This is important because in the Middle East, once a contract is signed, the client wants delivery to start immediately.

We will share more details and forecasts for increasing production capacity under the outlook section.

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In terms of risk, Covid-19 must be mentioned.

Covid still had a negative impact on business operation in H1.

Some impact is expected to continue in H2, especially related to;

- Travel
- Vendors and supply chain
- And increasing exposure for our workforce as field activity and collaboration with partners increase.



Now, onwards to outlook.

I will structure our main objectives under (1) Corporate Development, (2) Technology and Operation, and (3) Commercial and Market.

1) In terms of Corporate Development

- We will establish a Desert Control entity in the US during Q4.
- We will also prepare to establish a potential company in the UAE in partnership with Mawarid.
- Further, as we gain operational experience, we will, during Q4, develop an enhanced ESG and impact framework based on operational data to align with future ESG reporting standards for investors.

2) For Technology and Operation

- Our priority remains to build capacity to deliver. This includes technology, increased production capacity, and people to execute, operate units and deliver projects.
- We are on track to finalize two additional units during September and target two additional clusters of 4 units each by the end of the year to reach a total capacity of approx. 180,000 liters per hour. For example, 180,000 liters per hour in an 8-hour production day is enough LNC to treat 12,000 date palms.
- To utilize the increasing capacity and deliver projects, we further anticipate growing the organization with 40 employees during the 2<sup>nd</sup> half.

3) From a Commercial and Market perspective

- Our top priority is the ongoing initial pilot with Mawarid in order to move forward with the strategic partnership opportunity. I will share more about Mawarid and their capabilities on the next slide.
- Other objectives include converting some of our other pilots to commercial contracts; we will also exhibit at EXPO 2020 and keep building sales pipeline for 2022



The objective for the Mawarid initiative is to enter a strategic partnership to serve the entire UAE market and wider MENA region.

- Mawarid has significant resources, people, and equipment suitable for LNC application. (treating land areas and crops by applying LNC)
- Mawarid has a sizeable internal captive market where the benefits of LNC will have significant value.
- Further, Mawarid also has a huge external market, with the ability to deliver projects across the Middle East region.

The MoU signed in June set forth the intention to establish a shared partnership company for accelerated deployment of LNC across the region, pending the successful outcome of the initial pilot.

Through such partnership, the strength of Desert Control's LNC and production will be combined with the strength of Mawarid's ability to deliver and implement LNC in the field.

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**STRATEGIC UPDATE**  
 POTENTIAL CHANGE OF BUSINESS MODEL FOR MIDDLE EAST PENDING SUCCESSFUL MAWARID PILOT

**CURRENT BUSINESS MODEL**

- Desert Control delivers LNC (Direct to customer)
- Desert Control delivers LNC (Direct to customer)
- Desert Control delivers LNC (Direct to customer)
- Desert Control delivers LNC (Direct to customer)

**POTENTIAL BUSINESS MODEL WITH MAWARID**

- Partner based business model (Direct delivery to customer)
- Desert Control delivers LNC (Direct to customer)
- Partnership company delivers LNC and last-mile delivery

The partnership with Mawarid will accelerate change of our business model for the Middle East.

From a model where we do everything ourselves and deliver turnkey projects directly to the final customer, the model with Mawarid and a partnership company would allow Desert Control to fully focus on production of LNC while the partnership company takes on all aspects of application and last-mile delivery.

Desert Control produces the LNC, and the Partnership company delivers LNC application projects to customers.

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**EXPO 2020**  
 GLOBAL INNOVATOR AWARDS EMIRATES, 1 OCTOBER 2021 – 31 MARCH 2022

**DESERT CONTROL AT EXPO 2020**

- Desert Control is featured in the "Global Player Pavilion" at the Expo 2020
- The "Future Project" is a special collaboration for the "Global Player Pavilion" allocated to Desert Control for LNC application showcasing
- Desert Control LNC will feature at the Sustainability Pavilion for the full duration of EXPO 2020
- Desert Control is one of 10 selected Global Innovators
- During the Expo and Reception week (October 1st, 2021) Desert Control is featured along with 10 selected Global Innovators for an interactive & experiential




Desert Control is named Global Innovator by EXPO 2020 and will have a six-month window to showcase LNC to the world during the Expo. We are endorsed and supported by the EXPO live team and will be featured at multiple pavilions and events from October 1st, 2021, to March 31st, 2022.

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**UNITED STATES**  
 ESTABLISH US SUBSIDIARY TO PREPARE FOR PLANNED ACTIVITIES IN 2H

**ACTIVITIES**

- Establish US subsidiary in Q4 2020 to prepare for planned activities focused on California, Arizona, and Nevada
  - The subsidiary is likely to be incorporated in the state of Nevada
  - Research into the state of agencies for regulatory approval
- Initial PRs expected to be launched in Q4 2020 to our activities including
  - Preparation for field study with University of Arizona
  - Local assembly of mobile LNC production unit suited for pilots and field studies
  - Building capability to produce and apply LNC for field studies and other pilot projects
  - Initial operations as of the Q4 2020 from 2020 to 2021
- Field study with University of Arizona (UoA)
  - Plan for the field study to evaluate the feasibility of water saving results achieved in commercialized for broader application in the UAE
  - Monitor the progress of the field study in the first half of 2021
  - Monitor the progress of the field study in the first half of 2021
  - Other pre-commercial pilots may be initiated during the timeframe



During Q4, we will establish a subsidiary and hire our first employees in the US to prepare for planned activities focused on California, Arizona, and Nevada.

Activities for the 2<sup>nd</sup> half includes:

- Preparation for the field study with the University of Arizona
- Local assembly of a mobile LNC production unit suited for pilots and field studies
- And building capability to produce and apply LNC ahead of the University project where seeding of crops is expected to start in January.

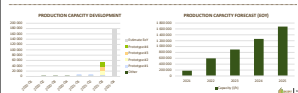
Other pre-commercial pilots may be initiated during the timeframe, similar to how we entered the UAE.

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**TECHNOLOGY AND OPERATION**  
 SIGNIFICANT INCREASE OF LNC PRODUCTION CAPACITY

**DEFINITIONS**

- 100% production unit: mobile factory for in-situ LNC production
- Capacity: 1 unit
- Capacity: 10,000 LNC per unit
- Capacity: 100,000 LNC per unit

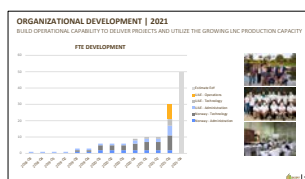


This slide shows our estimated projection for LNC production capacity.

- Prototypes 1 and 2 came online during the first half
- We are on track for two additional prototypes by the end of September.
  - These are being built based on the 2<sup>nd</sup> prototype with iteration improvement.
  - This is the first time we produce multiple units at the same time.
  - With four prototypes online, we will gain our first field experience with cluster operation and higher volume production.
  - This will then confirm the final design for the following series of production clusters
- Pending success with prototypes 3 & 4, we expect to start building one new cluster of 4 units in October and target having the following cluster ready by the end of the year.
- This puts us on track to reach a total LNC production capacity of 180,000 liters per hour by end of year.
- Although 180,000 liters per hour may sound like a lot, remember this is sufficient LNC to treat 12.000 date palms per 8-hour production day. Producing LNC for the 40 million date palms in the UAE would, as an example, take 14 years at this rate, just to illustrate the importance of continuing to add capacity.

In summary, we are on track according to the projections shared in our IPO process earlier this year.

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During the second half, the organization is expected to grow by approximately 40 FTEs to ensure capacity to execute critical priorities, operate units, and deliver projects.

- 20 of the hires are already completed and onboard in Q3, and we anticipate adding another 20 in Q4.

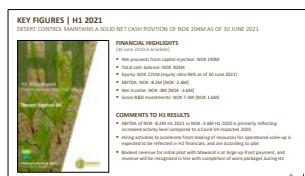
The majority share of new hires are field workforce and operators, and the associated costs are in line with plan.

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This concludes the highlights and outlook part of the presentation. Now I will hand over to our CFO, Erling Rasmussen, to take us through the financial update.

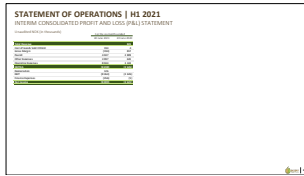
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Desert Control maintains a solid net cash position of NOK 204 million as of June 30th, 2021

- Net proceeds from the capital injection is NOK 190 mill
- Equity is NOK 221 million, which entails a 96% equity ratio
- EBITDA of NOK -8.2M H1 2021 vs. NOK -2.6M H1 2020 is primarily reflecting increased activity level compared to a Covid-19 impacted 2020
- Hiring activities to accelerate front-loading of resources for operational scale-up is expected to be reflected in H2 financials and are according to plan
- Booked revenue for the initial pilot with Mawarid is at large up-front payment, and revenue will be recognized in line with the completion of work packages during H2

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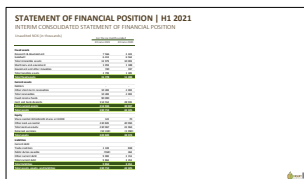


STATEMENT OF OPERATIONS | H1 2021  
INTERIM CONSOLIDATED PROFIT AND LOSS (FULL STATEMENT)

	2021	2020
Revenue	1,121,000	1,121,000
Cost of sales	(1,121,000)	(1,121,000)
Operating expenses	(8,200,000)	(8,200,000)
Operating income	(8,200,000)	(8,200,000)
Other income	0	0
Other expenses	0	0
Income before taxes	(8,200,000)	(8,200,000)
Income tax	0	0
Net income	(8,200,000)	(8,200,000)

- Revenue recognition from the first commercial pilot project will be phased in from Q3.
- Payroll increases mainly due to the ongoing extension of the team.
  - The financial grant from Innovation Norway offset payroll costs by NOK 1 mill.
- Other expenses increase according to increased activity level and investment in building delivery capacity.
- EBITDA of minus 8.2 million reflects the operational investment in the future of the business.

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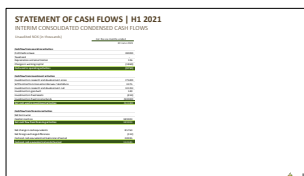


STATEMENT OF FINANCIAL POSITION | H1 2021  
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021	2020
Assets		
Current assets	1,121,000	1,121,000
Non-current assets	0	0
Total assets	1,121,000	1,121,000
Liabilities		
Current liabilities	0	0
Non-current liabilities	0	0
Total liabilities	0	0
Equity	1,121,000	1,121,000

- Research and development relate to prototypes and know-how.
- R&D is offset by the Innovation Norway support.
- Goodwill represents the acquisition of Desert Control Middle East LLC completed in 2019.
- Other short-term receivables include NOK 7.5 mill of the remaining R&D grant available from Innovation Norway.
- Some of the surplus liquidity is placed in low-risk fixed-income funds allowing redemptions at short notice.
- Equity increased by NOK 200 mill due to capital raised in connection with the Euronext Growth listing on April 14th, 2021.
- Other current debt includes the technical un-earned income from Innovation Norway of NOK 7.5 mill.

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STATEMENT OF CASH FLOWS | H1 2021  
INTERIM CONSOLIDATED CONDENSED CASH FLOWS

	2021	2020
Operating activities	0	0
Investing activities	0	0
Financing activities	0	0
Net change in cash	0	0

The cash flow statement reports no special trends not already presented in connection with the balance sheet and profit and loss.

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- The updated top 20 shareholder list is available on our web pages daily.
- The number of shareholders was 1355, and 84% of the total number of shares were held by Norwegian shareholders on June 30th, 2021.
- The issue price from the recent capital injection was 11.69 per share. Lately, the reported price of the share has fluctuated between 14 to 16 kroner.





The presentation given 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.

Please take note of the following disclaimer related to forward-looking statements.



Now we will move to the Q&A and start answering your questions.

- You can still post questions and continue upvoting.
- Before submitting a question, please check if the question is already posted by someone else and use the upvote instead of adding duplicate questions.
- We will also address questions submitted by e-mail in advance.

– End of presentation; answering questions to camera –

**Q&A recap:**

**Q:** Could your solution help farmers in Arizona who are forced to close down due to lack of water?

**A:** When we look at the solution we are delivering in the UAE and Arizona's conditions, there are many similarities in terms of a highly sandy soil structure. So, in terms of addressing water scarcity by enabling the soil to retain water and nutrients, we are confident that LNC will be of great value to farmers in Arizona and the West Coast of the USA.

**Q:** How are things progressing with the pilot projects in the UAE. And when are you expecting a financial decision if the client wishes to move forward?

**A:** We are progressing well with the pilots in the UAE. Water-saving KPIs and expectations for the pilots have been exceeded, and we are now focused on negotiations and planning activities with these clients. Regarding timing, remember what we said about how we are working to carefully map our development of available capacity against the requirements of each specific opportunity. Because once a contract is signed, the client expects delivery immediately. So, we are expecting to see results of these pilots as we add capacity, and we will report to the market continuously as we are signing specific contracts. All in all, the pilots are progressing well and very promising. We are now working to make sure that we have the capacity to deliver ahead of committing to the next step, which will be the commercial rollout.

**Q:** When do you foresee that you will need to raise more capital to fund new growth of your journey?

**A:** At the moment, we are well funded for the future growth of our business. We also have a very flexible business model. We are not required to invest in substantial factory facilities requiring a lot of CAPEX. We have smaller mobile production units, which are way less CAPEX intensive, which again allows for flexibility in terms of adapting the CAPEX spending and other investments with the progress and the milestones we achieve. So, currently, we do not see any immediate need for raising additional capital. We are staying on track with the predictions shared when we raised capital and listed on Euronext Growth earlier this year. There are no plans for raising capital in 2021, and per today there are no plans for raising capital in 2022.

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**Q:** What do you think the potential contract with Mawarid will be worth?

**A:** That's a good question. Although I have quite some thoughts about it, it's way too early to start going into details about that. We have shared a lot of details about Mawarid, and the internal market represented. So, if you go back to the projections we've shared earlier regarding the size of areas and the value we projected in terms of revenue per hectare or square meter, you can start to make some calculations. However, I think the most significant value here is the partnership. The partnership opportunity will enable an even stronger focus for us to keep ramping up production capacity and having this access to this enormous arsenal of people and resources to take care of the deployment and application of LNC in the field. That's a significant potential pending the successful outcome of the pilots that we are now in the middle of executing.

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**Q:** Which other projects are closest to becoming financial ventures beyond the pilot stage?

**A:** Well, in terms of which of the projects are closest, I would say we are already engaged closely with the Mawarid partnership. This is already commercial because it's also a paid initiative that we're executing right now, so that's the first one. Secondly, we are working on all the other pilots mentioned. For example, the 1000 m2 pilot for a 200-hectare VIP property in Abu Dhabi, where we are just aligning our ability to execute before continuing the negotiations and committing to a detailed proposal. For all the opportunities we have done pilots, we have proven the value. So, the next step is to make sure we can deliver and commit to a delivery plan with them. After that, we will finalize negotiations, announce contracts and start implementing.

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**Q:** When do you plan to open/expand to Spain and South Italy? When are you ready for your Europe?

**A:** In our current plan and stage of development (as for any start-up), it is very important to remain focused and make sure to build substantial momentum and a solid platform for scalability. That's why we are now focused on the UAE and agriculture, forestry, and landscaping. Secondly, we have announced that we will open a subsidiary and hire FTEs in the US during the fourth quarter of this year. If you remember, back to the IPO listing, we shared a plan and raised capital to fund a two-by-two model; two countries and two market segments. Countries being UAE as a base for the Middle East region and secondly the US. The two segments being agriculture and forestry on the one side and landscaping on the other. These two countries and segments are where we build the foundation to be able to scale to the rest of the world. 110 countries are experiencing the impact of desertification, degradation of soil, and water scarcity. Southern Europe, including Spain, Portugal, Italy, Greece, and others, are part of our plan and markets where we absolutely see a significant opportunity for the future. It's too early to commit to a specific timeline for these markets, but they are definitely on our future agenda, and we expected to see expansion here as the next steps after the US.

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**Q:** When do you expect the first pilot project in the US and the first commercial US deal after successful tests?

**A:** The first pilot in the US will most likely be the field study under planning with the University of Arizona. We reported to the market that we wanted to start this initiative earlier this year, but due to Covid-19, it was impossible to send people and bring equipment into the US. So, we had to postpone the activities and re-engaging on these now. We're aiming for a study that confirms the transferability of the results achieved in the United Arab Emirates (documented water savings for agriculture from 20 to 50% combined with a 17 to 62% yield increase). We aim to replicate this study with similar crops in US soil to confirm the ability to achieve similar water savings and benefits. So, that will be it will be the first pilot initiative. When it comes to timing, we

must align with the seeding season for selected crops. The seeding window for the crops we are comparing with (from ICBA validation in the UAE) will start in January. That means that many activities must be planned and executed in the coming three to four months. We need a production unit feasible for the LNC volume required for the pilot (will also serve other pilots). And we need to have people trained to do the job. We are following the same process as when we entered the UAE.

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**Q:** Where are you in the stage regarding The Great Green Wall project?

**A:** First, let me say that The Great Green Wall initiative on an overall level is progressing. It's had its challenges as a large multinational project due to Covid-19 and challenges in the region. But financially, the project has progressed well, and 17 billion US dollars are secured to fund that project by the United Nations and the involved parties driving the initiative. So, from that aspect, there is good traction in the project. We announced earlier that we had plans back in the days to start with a feasibility study together with the United Nations team in Senegal. That proved to be impossible because of the Covid-19 situation. But we are continuing discussions with the UN team to find the right opportunity and the right time. Remember, we want to stay focused. We don't want to spread ourselves too thin too early. We want to make sure we have a solid foundation in the UAE. Further, we must focus on the ramp-up of capacity. Discussions are ongoing, and interest from the United Nations is high. They are discussing with governments, and we are looking for opportunities to have LNC included in projects. It's too early to say precisely when we will be ready for it, but the door is open.

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**Q:** You have already shared that production capacity increase is on track, but what about revenues?

**A:** Regarding revenue, we haven't seen any changes in our progress compared to the projections that we've shared earlier. We're not guiding on revenue or sharing quarterly revenue forecasts at the moment, but as the business matures, we will start reporting order books on an ongoing basis. So, no changes to the projections. We are building capacity to deliver in order to be on track with what we have announced previously.

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**Q:** Any plans for NASDAQ listing?

**A:** When it comes to having plans, the answer is no. We do not have any plans for listing on other markets. The nature of our business, though, is very global, and who knows what the future will bring. Right now, we are listed at Euronext Growth on the Oslo Stock Exchange, where we are born. That makes sense for us at this stage of the company, where we have access to shareholders, stakeholders, and capital from the markets close to us. As the business evolves and grows, anything is possible for the future, but we do not have any current plans.

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**Q:** Governance and political conditions in your future and potential markets vary greatly. Do you see any challenges relating to these factors?

**A:** For us, it is essential to make sure that we build on a clear ESG road map. We have been focused on having a good framework in place from the very beginning. This includes Codes of Conduct and overall governance. We focus on being well educated and prepared in terms of dealing with these matters. I also think the experience in our first market is very valuable and promising. With 110 countries on the future long-term roadmap, one will run into many different markets and different situations. I think we will be prepared when the time comes for the conditions we need to address in each market for these factors.

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**Q:** When will the company break-even?

**A:** I will revert to the same answer as shared in terms of revenue. We are on track according to projections shared with our business plan from the IPO launch in March/April. Also, we have a solid cash position, are well funded for the future development of the business, and we have a flexible CAPEX model. So, no changes to projections at the moment.

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**Q:** After successful application in projects, which ability to create after-sales do you see? Will there be opportunities for continuous treatment of LNC?

**A:** So, the question is basically will it be possible to generate recurring revenue. Our experience so far is that one treatment of LNC has a duration of three to five years; this will depend on how the soil is managed and various external factors. Suppose you apply LNC to an agricultural field that is continuously tilled/plowed. In that case, you may be mixing soil that is not treated from the lower levels into the topsoil, thereby having to retreat it more frequently. But yes, we do see a business of re-treatment or so-called top-up treatments after 3-5 years. We are also looking at performance changes over time to develop service and maintenance programs.

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**Q:** Do you see yourself as a competitor to Yara or other fertilizer companies?

**A:** Well, LNC is not a fertilizer with nutrients; it's a mineral-based compound. LNC, however, enables soil to retain not just water but also nutrients, i.e., fertilizers, in a better way. That may, in turn, lead to reducing consumption of fertilizers and thereby reduce financial spending on products from fertilizer companies. Companies like Yara are not concerned about this because we expand their markets (grow the pie) by creating new agricultural land and restoring land that's gone barren. At the same time, we can also help solve problems fertilizer companies focus on, such as reducing fertilizer leaching. Reducing leaching (causing eutrophication and acidification of ocean) is important for these companies. Working together, we can achieve significant value in addressing nitrogen leaching challenges, growing the market, and feeding our planet more responsibly.

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**Q:** Pending a successful pilot leading to an acceleration of deployment in the UAE and the expansion to the US; Do you expect the guided ten clusters in operation by 2022 and 15 in 2023 to be sufficient to deliver on the underlying demand, or is it likely that you need to ramp up number of clusters even faster than anticipated?

**A:** Remember, in our projections, we've focused on the 2 + 2 model. The UAE plus the US with two focused segments (agriculture and landscaping). This is aligned with a responsible way of ramping up, especially for the first 1-2 years, to ensure good control and quality for both production and application and build capacity. Considering the total demand in the market, you will quickly understand that the demand is much higher than can be served with the initial projection of the 2 + 2 model. And again, mastering the capacity scale-up and large-scale deployment/application will be the critical point. (Refer to the example shared on the 40 million date palms in the UAE and the time required to produce LNC with the 180,000 l/h capacity at the end of this year). Of course, there will be opportunities to scale up even faster, which is the beauty of our business model. It's not huge capital expenses for each cluster, and that makes us very flexible.

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**Q:** How is the distribution between agriculture and landscaping clusters expected to be in the US versus UAE?

**A:** There are two parts to the answer to that question. We do not see an immediate change to the overall distribution following our initial model. However, if we succeed with the Mawarid project and partnership (pending the successful pilot outcome in the second half), this may change the structure and model for the Middle East market. In this partnership, food security and agriculture are likely to have a higher priority. Secondly, we will not see differences in cluster CAPEX between landscaping and agriculture in the same way in the partnership model. In this scenario, Desert Control will focus on production of LNC while the partnership company will take care of the application. Regarding the US, considering the current situation, it is clear that the demand is heavily focused on agriculture and reducing the impact of droughts and water scarcity. This is why we are pushing forward with the initiative with the University of Arizona. There is also a significant need for reducing water consumption for landscaping in the US. The situation in California, Arizona, Nevada, compared to the UAE, is in this way quite comparable. Both have limited access to freshwater resources, and both must maintain green landscapes that require water in a situation where agriculture will fight over the same limited water resources. If you don't maintain the landscaping areas, they will turn into desert, carbon in the soil will then turn into CO<sub>2</sub> and escape into the atmosphere. Cities and land areas will become warmer and unlivable. So, we must figure lower water requirements for maintaining green landscapes to free up water for agriculture and food security. This is how our focus on the two segments is connected and why we strive to balance. We've said before a 60/40 ratio, maybe changing to 60/40 faster than first projected.

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**Q:** What is the time required to produce one cluster?

**A:** Up until now, we've been producing single prototypes, and that's been a 6 to 8-week process. Now we are producing two prototype units in parallel, and we're spending approximately the same time on those two as it took to build one unit previously. As we move on to standardized serial production, we believe the production process can speed it up even more. We can also produce and assemble units with multiple partners across different countries as well in the future. We have multiple pathways to scale more effectively.

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**Q:** When it comes to raw material, are there any constraints in getting the raw material needed?

**A:** Regarding raw materials, we always aim at finding local resources for the clay and mineral compositions we use. There are certain clays and mineral components that we may need to bring in (import) from other markets, and we aim to find them as close as possible. In general, the consumption of these materials from, for example, oil and gas may be falling, making more available for us. But in general, access to the type of clays and minerals used for LNC production is not a constraint, and there are enormous reserves in the world. These are also global trading commodities with multiple sources. Covid-19, on the other hand, is something we need to keep in mind because of its impact on logistical supply chains and the shipping of goods. We are focused on mitigating delivery disruption in our supply chain. This is also why we announced earlier this year that we established our operational headquarters for the UAE in Abu Dhabi and expanded that facility with an even larger warehouse to increase our buffer to make sure we can cope with the situation.

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**Q:** Regarding the production of the machinery in the clusters, where does this happen?

**A:** We are also aiming at producing and assembling machines and equipment sustainably. Core technology (unique components for creating LNC), such as the specific reactor, is managed by our R&D team in Norway. Other parts of the units and clusters, such as the 20-foot container shells, pipes, tanks, steelworks, and standard industry components, are being sourcing based on our engineering and design and are assembled and built locally in-country. That is also the plan for the US. This model allows us to scale out effectively as we expand to other markets. We aim to maintain a combined approach, with production and assembly of units in-country, while protecting core components and IP (i.e., core reactor) by developing these from Norway.

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– End of Q&A session –

Okay, then I think we have covered all the questions, and we are just on time. 59 minutes and 20 seconds.

I want to thank you all for attending Desert Control's H1 2021 presentation. Our next financial reporting for H2 and the fiscal year of 2021 is on February 25th, 2022. Prior to this, we will also share an operational update during Q4, and other significant events will be reported consecutively as they occur throughout the quarter.

Thank you very much and see you all at our next session!

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## **About Desert Control**

Desert Control is a company specialized in climate-smart agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay restores and protects soil, reducing water usage for agriculture, forests, and green landscapes. Liquid Natural Clay (LNC) enables sand and degraded soil to retain water and nutrients. LNC increases crop yields while reducing water and fertilizer consumption by up to 50%.

Desert Control's business model is service-based and targets turnkey projects for LNC treatment of land areas, vegetation, crops, plants and trees etc. LNC is produced on-site at customer locations using mobile factories. Further, the LNC is applied across the customer's land areas using existing irrigation systems and techniques. LNC is sprayed or applied directly onto the surface and percolates into the ground forming a soil structure that retains water and nutrient like a sponge. One LNC treatment may last 3-5 years, followed by periodic top-up to maintain the optimal ability to retain water and nutrients. The Company's revenue model is pre-paid project deliveries direct (B2B) to customers within the segments, agriculture, forestry, and landscaping. Project pricing considers size of land, type of vegetation, crops, number of trees, etc. Additional revenue sources may come from (1) periodic maintenance and (2) digital subscription services related to soil health monitoring, water management optimization, and digital farming services for precision agriculture and sustainable land management. Desert Control AS is a private limited liability company incorporated under the laws of Norway. The Group has active subsidiaries in Abu Dhabi and Dubai, the United Arab Emirates.

United Arab Emirates is Desert Control's first geographic market, to be followed by broader expansion in the Middle East region. In 2022 the Company aims to expand operations to the United States, focusing on California, Arizona, and Nevada. More than 110 countries worldwide suffer accelerating desertification, loss of fertile soil, and water scarcity. Desert Control's ambition is to develop a global business with its vision of making earth green again.