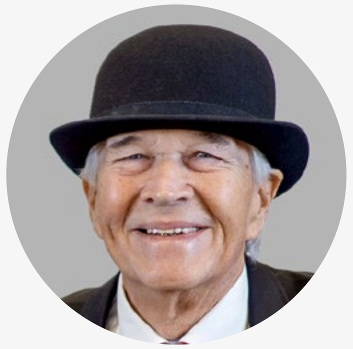
Q4 Report

2023

DESERT CONTROL

Contents



In Memory of Kristian P. Olesen

Desert Control wishes to honor the memory of our co-founder and inventor, Kristian P. Olesen, who passed away on 7 January 2024 at the age of 75. Kristian was the visionary inventor behind the groundbreaking Liquid Natural Clay (LNC) technology, conceiving the idea in 2005 and dedicating nearly two decades of his life to its development. His relentless pursuit of innovation, combined with an unwavering optimism and a constant challenge to the status quo, laid the foundations upon which Desert Control stands today.

Kristian's commitment to solving complex problems was matched only by his dedication to the company. As the largest shareholder through Olesen Consult HVAC AS, he played a pivotal role in establishing Desert Control and continued to contribute his insight as a member of the board of directors until his passing.

His legacy endures not only in the transformative technology he helped create but also in the spirit of perseverance and optimism that he instilled. Kristian's life work continues to inspire us all as we advance on the path he helped pave, striving to make a significant impact on soil enhancement and water conservation around the world.

We extend our deepest sympathies to Kristian's family, friends, and all who were fortunate enough to know him. His remarkable contributions to Desert Control and the world at large will be remembered and cherished forever.

2023 was marked by operational milestones and strategic restructuring, increasing the balance sheet by more than NOK 100M of added liquidity.

The start of 2024 marks the launch of the first commercial LNC roll-out in the United States with Limoneira, and the licensed operator model has secured the first partner-driven commercial project in the Middle East.

Desert Control Fourth Quarter 2023 Report

SANDNES, NORWAY, 22 FEBRUARY 2024 – DESERT CONTROL AS (DSRT) ANNOUNCES ITS FOURTH QUARTER REPORT FOR THE FISCAL PERIOD ENDING 31 DECEMBER 2023.

2023 was marked by operational milestones and strategic restructuring, increasing the balance sheet by more than NOK 100M of added liquidity. The start of 2024 marks the launch of the first commercial LNC roll-out in the United States with Limoneira, and the licensed operator model has secured the first partner-driven commercial project in the Middle East.

Q4 2023 and Year-to-Date 2024 Highlights

CORPORATE

- Finalized private placement subsequent issue of NOK 8M on 17 November 2023, culminating in over NOK 100M of added liquidity during the year.
- Ended the fiscal year with a cash and financial asset balance of NOK 120M, which, combined with cost efficiency gains, extends the company's financial runway into H2-2025 (excluding revenue).
- Completed the transition to the licensed operator model in the Middle East, leading to streamlined operations, significant reduction in annual operating costs, and strengthened regional partnerships.
- Doubled LNC production capacity per unit throughout 2023. Continued development targets further improvement in capacity, scalability, and unit economics for 2024 and beyond.
- The ongoing 5-year LNC research program with the University of Arizona is nearing its mid-term report and inaugural publication.

UNITED STATES

- Achieved the target of securing five new technical pilot projects per quarter in 2023, maintaining consistent pilot acquisition throughout the year.
- Continuing to see pilot results with a growing variety of crops and application scenarios.
- Realized operational improvements significantly increasing scalability, enhancing LNC application rate from 500 trees per day in Q1 2023, with projections to exceed 1000 trees per day in Q1 2024 with less labor and asset requirements for project execution.
- Limoneira's pilot testing of LNC since 2022 concluded in Q4-2023 with the positive decision to move forward with LNC deployment. The first commercial order for 60 acres of the Yuma ranch for the upcoming season was received on 31 January 2024.

MIDDLE EAST

- Executed the final phase of the transition of Desert Control's operation in the Middle East, fully implementing the licensed operator model.
- Key technical personnel moved from Desert Control Middle East to partner entities in the United Arab Emirates and Saudi Arabia, ensuring regional retention of expertise.
- The inaugural LNC production units arrived in Saudi Arabia, and as of January 2024, Saudi Desert Control is ready for operations.
- The first LNC application in Saudi soil was performed in December 2023, and the first partner-driven commercial agreement in the UAE has been secured, signaling growing momentum in the region following the transition to the new business model.

Webcast presentation for Desert Control Q4 2023 Report and Interim Financial Results is hosted on 22 February 2024 at 10:00 AM, Central European Time (CET). Register: https://go.desertcontrol.com/Q4-2023

Financial Key Figures

Financial Highlights Fourth Quarter 2023
[fourth quarter 2022 in brackets]

- Revenue NOK 15,5M
  [NOK 3,0M]
- EBITDA NOK 0,8M
  [NOK -25,5M]
- Net Income NOK -8,4M
  [NOK -35,2M]

Financial Highlights Full Year 2023
[full year 2022 in brackets]

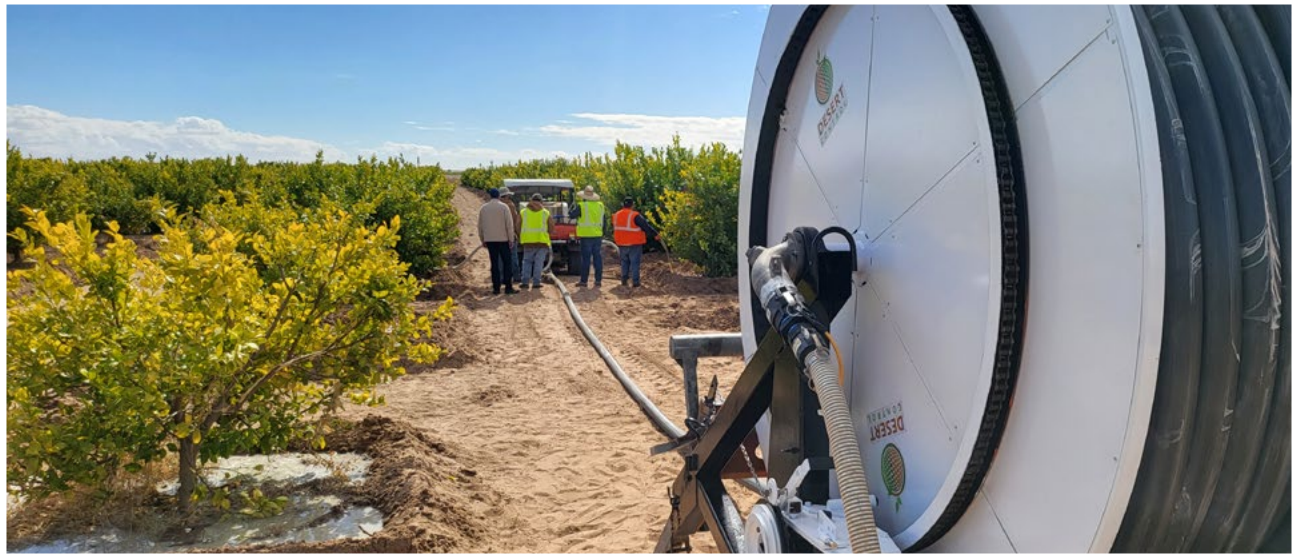
- Revenue NOK 18,1M
  [NOK 4,2M]
- EBITDA NOK -60,0M
  [NOK -90,2M]
- Net Income NOK -65,3M
  [NOK -90,5M]

- Total cash balance 31.12.23 (bank deposits and funds) NOK 119,6M
  [NOK 78,2M]
- Equity 31.12.2023 NOK 129 M (equity ratio 96,7%) [NOK 107M (89,7%)]

The figures presented in this section encompass both continued and discontinued operations. Revenue as outlined includes contributions from 'Other Revenue,' which originate from the cessation of our direct activities in the Middle East and the shift towards a licensing model. These figures reflect the net outcome after adjusting for goodwill, covering the final transactions, including sales, settlements, and the formation of licensing agreements, as part of our strategic decision to discontinue direct operations in this region. This transition underscores our strategic move towards adopting a licensing model. For an in-depth insight into the financial consequences of our strategic choices, including comprehensive details on discontinued operations, readers are encouraged to refer to the subsequent sections of this financial report.

Company Update

DEMONSTRATING AGILITY, STEADFAST EXECUTION, OPERATIONAL PROGRESS, AND A FORTIFIED FINANCIAL POSITION



As Desert Control concludes 2023 and embarks on the journey into 2024, the company reflects on a year marked by transformation of its business model for the Middle East, steadfast execution in the acquisition of new pilots in the United States, significant operational efficiency progress, and a fortified financial position.

The groundwork of the past year built the foundation for the first commercial LNC roll-out in the United States and secured the first partner-driven commercial project in the Middle East for 2024. Pilot programs in the U.S. further set the stage for valuable learnings that support ongoing R&D initiatives to strengthen and expand the benefits of LNC as a foundational platform for the cultivation of soil health with its related multifaceted economic and environmental benefits for the agriculture and landscaping sectors.

CORPORATE DEVELOPMENTS:

Over the past year, Desert Control has strategically restructured its operations by adopting a new business model in the Middle East to enhance operational efficiency and optimize resource allocation. This initiative, part of a broader strategic alignment, was supported by asset sales and successful capital raises, adding over NOK 100M of liquidity during the year. As a result, Desert Control closed the year with cash and financial assets of NOK 120M, which combined with an annual reduction of operating expenses by approx. NOK 20M extends the runway into H2-2025 (excluding revenue). The transition to the new business model in the Middle East completed in the fourth quarter, combined with the year's financial achievements, is instrumental in supporting the company's efforts to establish product-market fit, crucial for advancing commercialization and expanding market adoption for the Liquid Natural Clay innovation.
The shift to a licensing model in the Middle East along with the growing insights from pilot programs in the U.S. has sharpened the company's market approach and provides for deeper technical insights, directly supporting future R&D and market development strategies.

The efforts and achievements of 2023 streamlined operations, unlocked financial resources, and reinforced the company's regional capabilities through dedicated local partners.

The past year also brought significant operational improvements, including increasing capacity, efficiency, and scalability of Liquid Natural Clay (LNC) production, application, and operations. The improvements in unit economics and economic efficiency are set to continue, driven by ongoing R&D and technology development. By continuously optimizing LNC's cost-effectiveness and performance, Desert Control ensures optimal value creation for customers and partners.

Desert Control's ongoing collaboration with the University of Arizona continues to generate valuable insight. The mid-term report from this five-year validation program and inaugural publications are anticipated during Q2-2024. The university collaboration contributes valuable data to support the company's continuous product- and market development.

With an addressable market that spans more than 110 countries and various segments, Desert Control's strategic focus remains sharp. The company is dedicated to leveraging its market adoption and related operational and financial achievements in the Middle East and the United States as the foundation for broader expansion. This demonstrates Desert Control's commitment to strategic consistency, operational agility, and adaptability in development of product-market-fit for its innovative solution for water conservation and soil regeneration.

STEADFAST EXECUTION WITH OPERATIONAL ADVANCES IN THE UNITED STATES:

Desert Control met its operational objective of securing commitments for five new technical pilot projects in the fourth quarter. This reflects a consistent level of pilot acquisition throughout the year, expanding the piloting of LNC across various crops and landscaping scenarios.

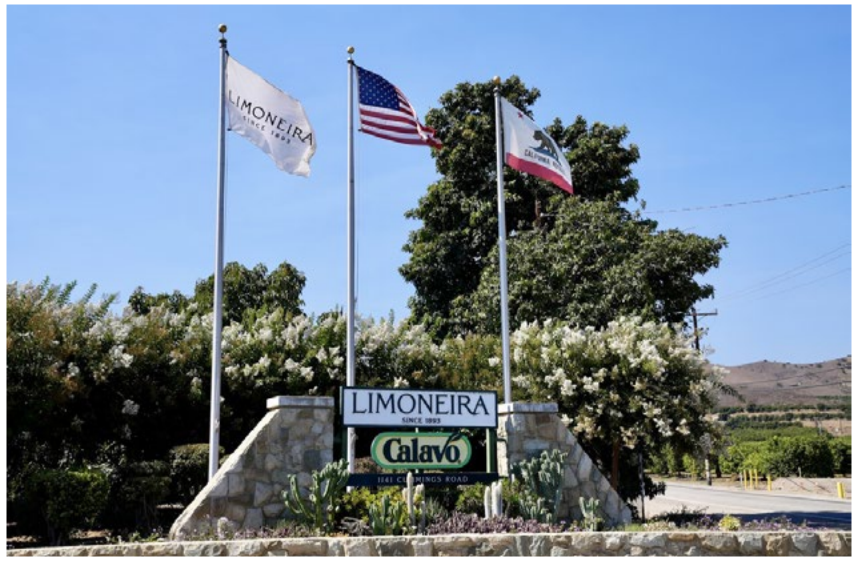
By the end of Q4, ten of the twenty pilots secured in 2023 were implemented, with the remaining scheduled for LNC application in 2024. Most pilots are within the agriculture sector, spanning various crops and application scenarios.

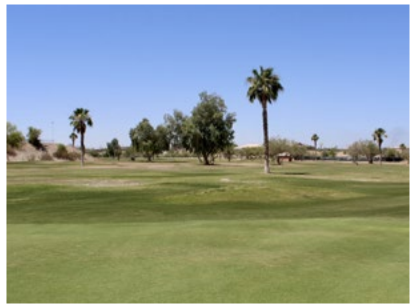
While water conservation results from the already implemented pilots are positive, economic feasibility for broad agriculture adoption of LNC in the United States remains premature, primarily due to the low cost of water for agricultural use.

The main focus for establishing product-market-fit for the agriculture pilots targets factors additional to water savings, such as the reduction of fertilizer leaching, lowering soil salinization, energy and operational efficiency gains, long-term benefits of improving soil health, and associated impact on increasing yield and land value, which require multiple seasons and longevity data to support final decision-making.

Given these considerations, the company continues developing the product-market-fit for agriculture by extending R&D interaction with the continuous learnings from these pilot programs over multiple seasons.

Engagement with clients remains positive, focused on preparedness for potential upcoming water cutbacks and cost increases, while the economic feasibility of the above mentioned factors in addition to water savings are being determined.





Pilots on golf courses in the landscaping segment demonstrate positive water savings and improved root and turf health.

Landscaping clients face significantly higher water costs compared to agriculture, especially in Southern California and Nevada, where the economic benefits realized by water savings alone could be sufficient to establish product-market-fit as a strengthened focus for 2024.

Throughout the past year, operational enhancements have been a focal point, leading to significant improvements in scalability and unit economics. These advancements increased the LNC application rate to 500 trees per day by the first quarter of 2023, with projections set to exceed 1000 trees per day in the first quarter of 2024, achieved with less labor and less asset requirements for project execution.

A pivotal development in the United States is the progression of Desert Control's relationship with Limoneira. Following pilot testing of LNC initiated in 2022, the fourth quarter of 2023 saw a positive decision by Limoneira to proceed with broader LNC deployment. This culminated in the first commercial order to apply LNC across 60 acres at the Yuma ranch, confirmed on 31 January 2024. The Limoneira development confirms commercial viability and scalability of the LNC technology and marks an important milestone in the commercialization efforts in the United States.

AGILITY AND STRATEGIC TRANSFORMATION STRENGTHENS THE FOUNDATION FOR THE MIDDLE EAST:

In 2023, Desert Control embarked on a strategic transformation of its Middle East operations, with the evolution to a licensed operator model. The final stages of implementing the new business model were completed in Q4. This included the controlled closure of all activities under the Desert Control Middle East (DCME) entity and, in parallel, strengthening operational, sales, and delivery capabilities through local partners in the region.

An important aspect of this strategic shift was the move of key technical personnel from DCME to the partner entities in the United Arab Emirates and Saudi Arabia. This ensures the retention of critical expertise and capabilities within the region and reinforces the collaborative framework essential for the successful deployment and market adoption of LNC.

Saudi Arabia Highlights

- The first set of LNC production units arrived in Saudi Arabia during Q4.
- As of the beginning of January 2024, licensed operator, H-EART and their KSA entity, Saudi Desert Control (SDC), has the core team and equipment in place in the Kingdom and is ready for operations.
- The first pilot application of LNC on Saudi soil took place in December 2023.

UAE Highlights

- Mawarid Desert Control (MDC) took over DCME facility in Abu Dhabi and completed integration activities to align with the licensed operator model during Q4.
- The first partner-driven commercial agreement in the UAE has been secured, indicating a positive start to the new business model and a growing momentum and market acceptance of LNC technology in the Middle East.

Outlook

As Desert Control looks forward to 2024, the company continues its development of the required product-market-fit for broader-scale LNC adoption based on the strategic groundwork laid in 2023. The year ahead is viewed with cautious optimism, shaped by the strides made across operational domains, pilots, technology development, advances of the company's business and go-to-market model, and a fortified financial position.

Middle East – Growing Momentum:

The successful transition to a licensed operator model in the Middle East marks a new chapter in Desert Control's regional strategy. The growing momentum with the licensed operators, as evidenced by the first partner-driven commercial agreement and the deployment of the inaugural LNC production units in Saudi Arabia, sets a promising tone for 2024.
The focus ahead is to enable local partners to establish and grow the regional business through support programs, R&D efforts to advance LNC formulation, and technology development to keep improving unit economics and production capacity.

Revenue generation in the short term is anticipated to be limited, with cautious growth expectations that anticipate development of a run-rate business of initially smaller, partner-driven projects. While some large opportunities in development may represent an upside, timelines for substantial revenue growth remain fluid, reflecting the inherent unpredictability of market dynamics.

United States – Agricultural and Landscaping Opportunities:

In the United States, Desert Control continues developing the foundation for broader adoption of LNC within agriculture and landscaping.
The completion of 10 out of 20 pilot projects by the end of Q4 2023, particularly in agriculture, underscores that continuing data collection of LNC's benefits in addition to saving water is important to establish a solid product-market-fit for broader scale adoption.
The company continues developing its pilot program to showcase LNC's multifaceted benefits, including, reduction of fertilizer leaching, lowering soil salinization, long-term benefits of improving soil health, and associated impact on increasing yield and land value by extending pilot programs to multiple seasons; creating unique R&D opportunities to demonstrate and develop LNC's additional value adding features through applied science.
Concurrently, the landscaping segment, particularly golf courses in regions with high water costs like Southern California and Nevada, may present opportunities for product-market-fit justified by economic gains from water savings alone. The result of water savings and positive feedback from pilots on golf courses encourage a focused approach to developing this market segment.

Closing Remarks:

In 2024, Desert Control anticipates substantial progress for its LNC technology backed by commercial deployments in the Middle East, ongoing pilot programs in the U.S., and targeted development to support broader agriculture and landscaping adoption. Early R&D results, especially with nature-based additives in LNC, indicate significant potential to extend benefits way beyond water savings, setting the scene for an exciting year ahead.

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 water usage and improve the efficiency of fertilizers and natural resources for agriculture, forests, and green landscapes. LNC enables sandy and arid soil to retain water and nutrients, thus increasing crop yields, plant health, and ecosystem resilience while preserving water and natural resources by up to 50%.

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

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

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

Inquiries

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Cautionary Note

Disclaimer related to forward-looking statements

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

Forward-looking statements are statements that are not historical facts and may be identified by words such as "aims", "anticipates", "believes", "estimates", "expects", "foresees", "intends", "plans", "predicts", "projects", "targets", and similar expressions. Such forward-looking statements are based on current expectations, estimates, and projections, reflect current views concerning future events, and are subject to risks, uncertainties, and assumptions, and may be subject to change without notice. Forward-looking statements are not guaranteeing any future performance, and risks, uncertainties, and other important factors could cause the actual business, performance, results, or the industry and markets in which Desert Control operates in, to differ materially from the statements expressed or implied in this release by such forward-looking statements.

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

Q4 2023 Report
The information enclosed is subject to the disclosure requirements pursuant to sections 5-12 in the Norwegian Securities Trading Act.

Statement by the Management and Board of Directors

The Board of Directors and the CEO have considered and approved the Q4 2023 Report and Interim Financial Results for Desert Control Group ("Group") for the three months ending on 31 December 2023. The interim consolidated financial statements are unaudited and have been prepared in accordance with IFRS accounting standards as well as additional information requirements as per the Norwegian Accounting Act.

We confirm to the best of our knowledge that:

- The Q4 2023 interim financial statements for the Group have been prepared in accordance with applicable accounting standards
- The information in the financial statements gives a true and fair view of the Group's assets, liabilities, financial position, and results as of 31 December 2023
- The report for the Group gives a true and fair view of the Group's development, performance, and financial position and includes a description of the principal risks and uncertainty factors facing the Group
- The Q4 2023 Report has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a

Sandnes, 21.02.2024

Knut Nesse Chair	**Marit Røed Ødegaard** Board Member	**Maryne Lemvik** Board Member
Geir Hjellvik Board Member	**Ole Kristian Sivertsen** Chief Executive Officer	**James Thomas** Board Member

Financial Statement Desert Control AS

Consolidated Statement of Comprehensive Income

(Amounts in NOK thousand, unaudited)	Notes	Q4 2023	Q4 2022	2023	2022
Revenue from sales	2	0	997	845	1 328
Other income		5	-	543	-
Total income		**5**	**997**	**1 388**	**1 328**
Cost of goods sold (COGS)		-0	770	63	1 049
Gross margin		**5**	**227**	**1 325**	**279**
Salary and employee benefit expenses		7 696	12 195	39 064	41 670
Other operating expenses		4 565	6 868	22 286	21 588
Depreciation and amortisation		1 212	616	4 175	1 807
Impairment		-	-	-	-
Operating profit or loss		**-13 468**	**-19 452**	**-64 200**	**-64 786**
Finance income		6 840	1 458	17 600	15 873
Finance costs		11 510	9 348	12 776	9 940
Profit or loss before tax from continuing operations		**-18 137**	**-27 342**	**-59 376**	**-58 853**
Income tax expense		-0	3	-12	3
Profit or loss for the year from continuing operations		**-18 137**	**-27 345**	**-59 364**	**-58 856**
Discontinued operations					
Profit or loss after tax for the year from discontinued operations	5	9 725	-7 891	-5 910	-31 603
Profit or loss for the year		**-8 412**	**-35 236**	**-65 275**	**-90 459**
Allocation of profit or loss:					
Profit/loss attributable to the parent		-8 412	-35 236	-65 275	-90 459
Other comprehensive income:					
Items that subsequently may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		1 382	3 344	1 414	-43
Total items that may be reclassified to profit or loss		1 382	3 344	1 414	-43
Total other comprehensive income for the year		**1 382**	**3 344**	**1 414**	**-43**
Total comprehensive income for the year		**-7 030**	**-31 893**	**-63 861**	**-90 503**
Allocation of total *comprehensive income*					
Total comprehensive income attributable to owners of the parent		-7 030	-31 893	-63 861	-90 503

Consolidated Statement of Financial Position

(Amounts in NOK thousand, unaudited)	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Goodwill	5	-	7 221
Property, plant and equipment	5	8 044	21 002
Investment in subsidiaries		-	-
Right-of-use assets	5	439	1 635
Deferred tax assets		-	-
Total non-current assets		**8 483**	**29 857**
Current assets			
Inventory		217	584
Accounts receivable		17	1 572
Other receivables		5 172	9 052
Intercompany receivables		-	-
Other current financial assets		19 616	41 416
Cash and cash equivalents	4	100 008	36 791
Total current assets		**125 031**	**89 415**
Assets classified as held for sale	5	0	-
TOTAL ASSETS		**133 514**	**119 272**
EQUITY AND LIABILITIES			
Equity			
Share capital	3	161	123
Share premium		312 678	230 849
Currency translation differences		-80	-1 336
Retained earnings		-183 691	-122 636
Total equity		**129 067**	**107 001**
Non-current liabilities			
Non-current lease liabilities		-	425
Deferred tax liabilities		-	-
Non-current provisions		-	-
Total non-current liabilities		**-**	**425**
Current liabilities			
Current lease liabilities		464	1 059
Trade and other payables		1 873	5 004
Intercompany payables		-	-
Public duties payable		912	944
Other current liabilities		1 198	4 839
Total current liabilities		**4 447**	**11 846**
Total liabilities		**4 447**	**12 271**
TOTAL EQUITY AND LIABILITIES		**133 514**	**119 271**

Sandnes, 21.02.2024

Knut Nesse
Chair

Marit Røed Ødegaard
Board Member

Maryne Lemvik
Board Member

Geir Hjellvik
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

James Thomas
Board Member

DESERT CONTROL

Consolidated Statement of Cash Flows

(Amounts in NOK thousand, unaudited)

Cash flows from operating activities	Notes	Q4 2023	Q4 2022	2023	2022
Profit or loss before tax from continued operations		**-18 137**	**-27 342**	**-59 376**	**-58 853**
Profit or loss before tax from discontinued operations		**9 725**	**-7 891**	**-5 910**	**-31 603**
Adjustments to reconcile profit before tax to net cash flows:					
Net financial income/expense		4 629	7 911	-4 439	-5 886
Depreciation and amortisation		1 358	1 814	6 492	6 108
Impairment		-	-	-	-
Share-based payment expense		1 409	4 126	4 219	4 283
Working capital adjustments:					
Changes in accounts receivable and other receivables		25 265	-3 748	5 800	-5 066
Changes in trade payables, duties and social security payables		-930	1 616	-3 162	2 402
Changes in other current liabilities and contract liabilities		-29 106	320	-4 246	161
Net cash flows from operating activities		**-5 788**	**-23 194**	**-60 611**	**-88 455**
Cash flows from investing activities (NOK)					
Purchase/sale of property, plant and equipment		13 303	-170	12 957	-13 969
Purchase/sale of financial instruments		-337	-	21 800	36 744
Proceeds from sale of property, plant and equipment		367	-	1 592	890
Interest received		217	469	398	867
Net cash flow from investing activities		**13 550**	**299**	**36 747**	**24 533**
Cash flow from financing activities (NOK)					
Proceeds from issuance of equity		75 471		85 473	1
Transaction costs on issue of shares		-3 608		-3 608	
Lease payments		398	-39	1 421	-1 590
Interest paid		-0	-18	-3	-3
Net cash flows from financing activities		**72 260**	**-57**	**83 283**	**-1 592**
Net increase/(decrease) in cash and cash equivalents		**80 022**	**-22 952**	**59 419**	**-65 514**
Cash and cash equivalents at beginning of the year/period		15 731	59 453	36 790	101 924
Net foreign exchange difference		4 255	290	3 799	380
Cash and cash equivalents, end of period		**100 008**	**36 791**	**100 008**	**36 790**

Consolidated Statement of Changes in Equity

(Amounts in NOK thousand, unaudited)	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 31 December 2021	**122**	**230 849**	**-107**	**-36 592**	**194 272**
Profit (loss) for the period				-90 459	-90 459
Other comprehensive income			-1 229	132	-1 097
Issue of share capital	1	-			1
Transaction costs					-
Share based payments				4 283	4 283
Balance at 31 December 2022	**123**	**230 849**	**-1 336**	**-122 636**	**107 001**
Balance at 31 December 2022	**123**	**230 849**	**-1 336**	**-122 636**	**107 001**
Profit (loss) for the period				-65 275	-62 554
Other comprehensive income			-1 839		-1 839
Translation differences related to deconsolidated subsidary reclassified to proft or loss			3 093		3 093
Issue of share capital	37	85 436			85 473
Transaction costs		-3 608			-3 608
Share based payments				4 219	4 219
Balance at 31 December 2023	**160**	**312 677**	**-82**	**-183 691**	**129 067**

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 fourth quarter period ended 31 December 2023 were authorised for issue by a Board meeting held on 21 February 2024.

Desert Control AS is a private limited liability company incorporated and domiciled in Norway. It's shares are traded at the unregulated market place Euronext Growth. The Group's head office is located at Grenseveien 21, 4313 Sandnes, Norway.

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) enables sustainable ecosystem management by restoring and protecting soil's ability to preserve water and increase yields for agriculture, forests, and green landscapes.

1.2 BASIS OF PREPARATION

The interim consolidated financial statements of the Group comprise consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU (IAS 34). The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement. The condensed interim financial statements do not include all of the information and disclosures required by IFRS Accounting Standards for a complete set of financia statements, and these condensed interim financial statements should be read in conjunction with the most recent annual financial statements. The annual financial statements were prepared in accordance with International Financial Reporting Standards and interpretations as issued by the International Standards Board and as adopted by the EU. The interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption. There have been no changes to significant accounting policies since the preparation of the annual financial statements for 2022. The condensed interim financial statements are unaudited.However, the following accounting principle related to discontinued operations was not described in the consolidated financial statements for 2022 and is thus described herein. In the event of a deconsolidation – if the disposal group being deconsolidated comprises a material business segment or operation, the profit or loss after taxes associated with the disposal group is reported separately as discontinued operations in the statement of income. The previous period's income statements are restated accordingly. The profit after taxes from discontinued operations comprises the discontinued operation's current earnings and the gain or loss from deconsolidation.

Comparative financial information is provided for the preceding period in the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows. Presentation currency and functional currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency of the parent company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions.The subtotals and totals in some of the tables in the notes may not equal the sum of the amounts shown in the primary financial statements due to rounding. All amounts have been rounded to the nearest thousand unless otherwise stated.

2 REVENUE FROM CONTRACTS WITH CUSTOMER

ACCOUNTING POLICIES

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue from sale of LNC is recognised when a customer obtains control of LNC, which normally is when LNC is applied at point of delivery, based on the contractual terms of the agreements. Each sale represents a single performance obligation.

The Group's revenue from contracts with customers has been disaggregated and presented in the tables below:

	Quarters		Full year	
By area of operation: (Amounts in NOK thousand)	**Q4 2023**	**Q4 2022**	**2023**	**2022**
Liquid NaturalClay (LNC) continued operations	0	996	845	1 328
Liquid NaturalClay (LNC) discontinued operations	0	44	48	895
Total	**0**	**1 040**	**893**	**2 223**

	Quarters		Full year	
By geographic market:	**Q4 2023**	**Q4 2022**	**2023**	**2022**
Norway	-	-105	-	228
USA	0	1 100	845	1 100
UAE	0	44	48	895
Total	**0**	**1 040**	**893**	**2 223**

3 EQUITY AND SHAREHOLDERS

ACCOUNTING POLICIES

Costs related to equity transactions

Transaction costs are deducted from equity, net of associated income tax.

Distribution to shareholders

The Group recognises a liability to make distributions to equity holders when the distribution is authorised and no longer at the discretion of the Group. As per the corporate laws of Norway, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

No distributions were made to shareholders in the current or prior period.

Issued capital and reserves:

Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position
At 1 January 2022	**40 724 640**	**0,003**	**122 174**
Share issue 10 March 2022	375 040	0,003	1 125
At 31 December 2022	**41 099 680**	**0,003**	**123 299**
Share issue 10 March 2023	**227 109**	**0,003**	**681**
Share issue 31 July 2023	1 000 000	0,003	3 000
Share issue 13 October 2023	10 000 000	0,003	30 000
Share issue (rep) 17 November 2023	1 181 188	0,003	3 544
At 31 December 2023	**53 507 977**	**0,003**	**160 524**

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

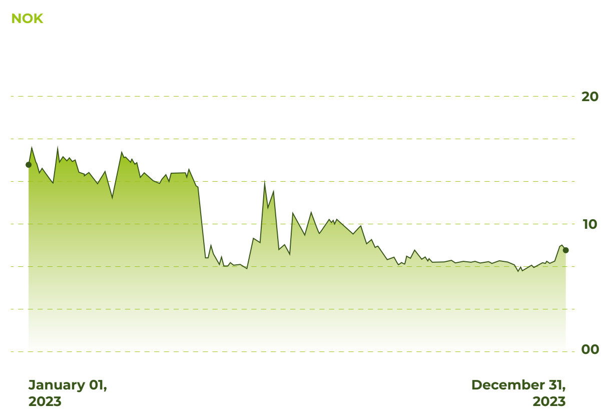
Reconciliation of the Group's equity is presented in the statement of changes in equity.

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2023	Total shares	Ownership/ Voting rights
OLESEN CONSULT HVAC AS	5 900 000	11,0 %
Woods End Interests LLC	4 444 444	8,3 %
J.P. Morgan SE	4 380 342	8,2 %
NORDNET LIVSFORSIKRING AS	2 460 470	4,6 %
DNB BANK ASA	1 896 229	3,5 %
LITHINON AS	1 720 002	3,2 %
OLESEN OLE MORTEN	1 635 800	3,1 %
BNP Paribas	1 597 407	3,0 %
LIN AS	1 502 275	2,8 %
GLOMAR AS	1 368 456	2,6 %
NESSE & CO AS	1 360 000	2,5 %
JAKOB HATTELAND HOLDING AS	1 222 222	2,3 %
CITIBANK N.A	1 212 260	2,3 %
CLEARSTREAM BANKING S.A.	1 173 469	2,2 %
IDLAND ATLE	1 139 206	2,1 %
The Northern Trust Comp	958 275	1,8 %
SORTUN INVEST AS	949 937	1,8 %
OKS CONSULTING AS	930 000	1,7 %
BEYOND CENTAURI AS	720 998	1,3 %
SUNDVOLDEN HOLDING AS	552 222	1,0 %
Others	16 383 963	30,6 %
Total	**53 507 977**	**100,0 %**

Origin of shareholders

No of shares	%	Origin	# shareholders
37 831 429	71%	Norge	3 542
5 583 811	10%	Luxembourg	8
4 745 318	9%	USA	7
1 592 969	3%	Frankrike	4
1 222 478	2%	Irland	5
1 208 390	2%	Storbritannia	4
748 584	1%	Sverige	15
574 998	1%	Others	62
53 507 977	**100%**	**Grand Total**	**3 647**



ISSUE PRICE AS OF 28 September 2023: NOK 6,75 (Q3-2023 Capital Raise Issue, Private Placement)

SHARE PRICE AS OF 31 December 2023: NOK 8,07

4 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise cash for withholding taxes which may not be used for other purposes.

Cash and cash equivalents	31.12.2023	31.12.2022
Bank deposits, unrestricted	99 522	35 617
Bank deposits, restricted	486	1 174
Total cash and cash equivalents	**100 008**	**36 791**

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

5 DISCONTINUED OPERATIONS

Middle East Operations

In June 2023, an agreement was executed by the company with Mawarid Holding Investment LLC (MHI) for the sale of the production entity in the United Arab Emirates and the corresponding shares in the Joint Venture, Mawarid Desert Control, along with the LNC production assets. This agreement conferred upon MHI the status of exclusive licensed operator for the UAE, with the intention to broaden its reach across the Middle East. In the following month, an agreement was concluded with Holistic Earth Advanced Regeneration Technologies SA (H-EART), which resulted in H-EART acuiring of a single LNC Production cluster, consisting of four units, and granted Heart SA the license to operate on behalf of Desert Control in the Kingdom of Saudi Arabia.

These agreements have precipitated the phasing out of the company's operations in the Middle East. Desert Control Middle East LLC has initiated the liquidation process accordingly.

As of Q4 2023, the company has no assets classified as 'held for sale'. This follows the execution of significant agreements regarding our operations in the Middle East. The substantial transactions associated with discontinued operations have been executed in Q4. Any remaining transactions are minor and are expected to be settled by the final liquidation of Desert Control Middle East LLC in Q1 2024. Consequently, the net results of these discontinued operations has been reflected as a single line item in the Consolidated Statement of Comprehensive Income from Q3 2023. Prior period figures have been restated for comparative clarity following this reclassification.

Net result for discontinues operations.		**Quarters**		**Full year**	
(Amounts in NOK thousand, unaudited)	**Notes**	**Q4 2023**	**Q4 2022**	**2023**	**2022**
Revenue from sales	2	0	44	48	895
Other income		15 540	1 995	16 697	1 995
Total income from discontinued operations		**15 540**	**2 039**	**16 745**	**2 890**
Cost of goods sold (COGS)		51	-620	353	1 459
Gross margin from discontinued operations		**15 490**	**2 660**	**16 393**	**1 431**
Salary and employee benefit expenses		1 346	5 787	10 398	20 417
Other operating expenses		1 128	3 547	6 016	8 271
Depreciation and amortisation		146	1 198	2 318	4 301
Impairment		-	-	-	-
Operating profit or loss from discontinued operations		**12 870**	**-7 873**	**-2 339**	**-31 558**
Finance income		-	-	-	-
Finance costs		3 145	18	3 571	46
Profit or loss before tax from discontinued operations		**9 725**	**-7 892**	**-5 910**	**-31 604**
Income tax expense		-	-	-	-
Profit or loss for the year from discontinued operations		**9 725**	**-6 912**	**-5 910**	**-31 604**

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 CO_2 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 CO_2 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 CO_2 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 critical to preserving and restoring biodiversity.

Mining clay and the production of LNC requires energy. Logistics and transportation of material, equipment, personnel, and manufacturing also require energy. Desert Control strives to reduce energy consumption in all stages of the process and facilitate the use of renewable energy sources wherever available. These negative impact factors are, by far, surpassed by the sum of positive impacts from stopping and reversing desertification and soil degradation, reducing water consumption, and other environmental benefits.

LNC has no adverse impact on any of the 17 United Nations Sustainable Development Goals (SDGs). Further, LNC has a significant direct positive impact on 9 of the SDGs.

Our Core Values

Leadership
Inspirational pro-active execution

Growth-mindset
Curious and solution-oriented

Innovation
Challenge status-quo | create value

Integrity
Keep promises | grow strong relationships

Contribution
Desire to make everything better

Diversity
Inclusive | open-minded | respectful

Making Earth Green Again

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