

Desert Control Q2/H1 2022 Company Update and Financial Results Presentation (Transcript)

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Welcome to the Desert Control Q2 and First Half 2022 Company Update webcast presentation covering the Q2 Report and Interim Financial Results for the fiscal period that ended on 30 June 2022.

- A Q&A session will follow the presentation, and we invite you to use the Q&A function for questions.
- 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 official Q2 Update Agenda, Desert Control's CEO will give a brief company introduction.

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- Our vision is to make earth green again by stopping and reversing desertification, soil degradation, and water scarcity.
- We aspire to be part of the solution to restore 100 million hectares of degraded land by 2030 on our pathway to making the earth green.
- This is vital to achieve global food security, solve the growing water scarcity, protect natural resources, regenerate nature and biodiversity, and ultimately safeguard our climate and environment.
- We believe that protecting and restoring land and soil is the pathway to peace and prosperity for people and planet.

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We deliver on our vision through climate-smart agri-tech solutions to combat desertification, soil degradation, and water scarcity.

- Our patented solution Liquid Natural Clay (LNC) is a liquid compound that turns sand into soil in 7 hours.
- The liquid can be applied to reclaim degraded land and deserts, restore and protect soil, and reduce water usage for agriculture, trees, and green landscapes by up to 50%.

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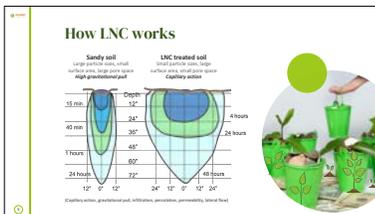


The problem we address is that less than 15% of irrigation water is retained in the topsoil for plants to make use of it.

- The majority of the water is lost to deep drainage, leaching, and runoff
- This further causes loss of fertilizers, organic matter, and other inputs that are washed out along with the water
- Excessive irrigation also consumes excessive energy, increases operational costs, and puts added pressure on the environment

The value of increasing soil's ability to retain water and nutrients, therefore, has far-reaching economic and environmental benefits way beyond just the water savings.

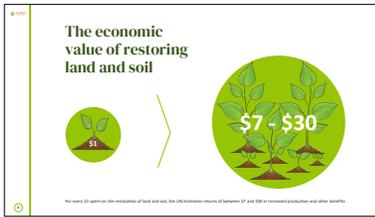
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This illustration shows how LNC changes how water moves through the sandy soil profile.

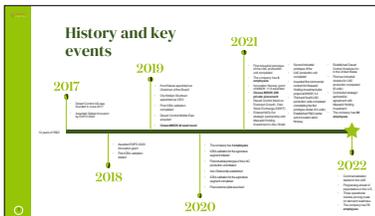
Instead of leaching straight through the sand, the water is retained in the topsoil for plants to make use of it. This further reduces wash-out and preserves fertilizers, organic matter, and other inputs. This, in turn, regenerates the soil and increases yields while preserving up to 50% of the water.

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- Investing in the regeneration and restoration of land and soil also has tremendous economic value.
- For every \$1 spent on restoration, the United Nations calculates a return of between \$7 and \$30 in increased production and other benefits.

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Allow me also to give a brief history of the company.

Desert Control was founded in June 2017 based on 12 years of R&D.

- Independent validation of LNC started in late 2018 in the UAE with International Center for Biosaline Agriculture (this focused on grasses for landscaping and was completed successfully in August 2019, documenting 47% water savings).
- In December 2019, we closed a seed funding round of 42 MNOK dedicated to expanding independent validation to agriculture and developing prototypes for volume production of LNC.
- Entering 2020, the company had 3 employees.
- The independent agriculture validation was completed during the third quarter documenting increased yields of up to 62% alongside the water savings. In December, the first prototype for industrial-scale volume production of LNC was completed.
- The first customer pilots also launched, and the company had grown from 3 to 6 employees.
- We entered 2021 with LNC validated for landscaping and agriculture and a concept for volume production of LNC with profitable unit economics at scale.
- In March 2021, we raised 200 MNOK to fund the next development stage of the business with a larger-scale proof of concept to demonstrate the ability to commercialize in the initial validation market and prove transferability to other geographic regions.
- This initiative launched as the "2+2 strategy" with efforts and investments focused on two countries and two segments: the UAE and the United States, and the segments agriculture and landscaping.
- The priorities driven by the "2+2 strategy" are to (1) Commercialize in the UAE, (2) Validate in the United States, and (3) Build the foundation to drive the transition from start-up to scale-up, and we will share updates on our progress on each of these areas during this webcast.



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

- First, I will present Q2 highlights
- Next, Marianne, our CFO, will take us through the financial update
- Then I will share a brief outlook before we close with the Q&A session



Our priorities are, as mentioned, to commercialize in the UAE, validate in the U.S., and build the foundation to transition from start-up to scale-up. By delivering on our commitments from Q1, we made progress on all priorities in Q2.

- The first commercial deliveries commenced in the UAE end of June according to plan and included clients in the agriculture and landscaping sectors.
- Our first Dubai-based customer pilot converted into a paid delivery, extending LNC treatment to the entire property under commercial terms.
- And our sales and distribution company in the UAE, Mawarid Desert Control, is now gradually becoming operational after we changed our go-to-market model from direct to indirect for the UAE in the first half.
- The change to the indirect sales model adjusted our business plan with commercial activities commencing from the end of Q2. We anticipate the long-term benefits of the indirect sales model to offset the short-term impact.
- We are further progressing ahead of expectations in the United States. I will go into more detail in a few slides and cover the positive market reception driven by the positive interim results for the validation study in collaboration with the University of Arizona and the progress we are making with farmers and growers way earlier than previously expected.
- Our operational base for the U.S. is now established in central Arizona. We have LNC production capacity in place and are now preparing to target preliminary projects with clients for the second half.
- I am also proud to report that we continued delivering on our commitments from Q1 during the second quarter.
- Executive Leadership and Business Development was strengthened with new hires onboarded in Q3, and I am very proud of our entire team of FTIPPs (Full Time Intelligent Passionate People).

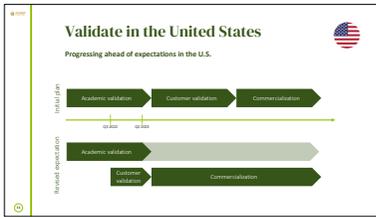
- We further proved readiness to scale LNC production capacity on demand and confirmed global mobility of production assets in Q2. These are essential steps to build the foundation to drive the transition from start-up to scale-up for our business.

I will cover each area in more depth in the following slides, starting with an update on the UAE.

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- Commercialization has started in the UAE, and Mawarid Desert Control LLC is gradually becoming operational after a slow start in H1.
- Mawarid Desert Control received its business license on 29 March 2022, and the holy month of Ramadan postponed further incorporation and readiness activities to mid-May.
 - For incorporation and establishment, including getting required licenses, etc., for companies like this to take up to 6 months is expected in the UAE and was taken into account in our planning.
- By the end of June, the first commercial deliveries commenced and included a private organic farm in Al Ain, a public park area in Masdar City, Abu Dhabi, and conversion of the first LNC pilot in Dubai; in5 Tech, TECOM Group, where LNC treatment was extended to the entire property under commercial terms.
- The initial commercial deliveries are in line with expectations from the company's Q1 update.
- Projects are as planned of smaller scale well suited for the early stage of the newly established Mawarid Desert Control company.
- The commercial deliveries are not material from a financial perspective. Still, they are with clients with significant potential, and all projects are executed at commercial terms in-line with the company's anticipated market price level.
- We anticipate, as previously communicated that commercial deals in the UAE will continue to be represented by smaller-scale projects in the second half as the pipeline grows and Mawarid Desert Control matures to take on increasingly larger projects throughout the year.
- The smaller-scale commercial projects in Q2 represent significant future potential, as mentioned. I also want to highlight that the application of LNC was highly successful and proved that we can use a variety of methods, including established irrigation systems, to deploy the LNC. For the Pump Park in Masdar City, we even utilized the sub-surface drip irrigation system for LNC application – and such irrigation systems are being used by many greenery developments in the UAE and worldwide.
- Hiring activities to further build the Mawarid Desert Control salesforce also kicked off in June, with new salespeople anticipated to onboard during the third quarter.
- Mawarid Desert Control further launched a public sector pilot project comprising 200 citrus trees along the highway in the Western Region of Abu Dhabi. Most major roads in the UAE have green belts of trees planted along roadsides and dividers, serving as natural barriers to sand and winds. Initial observations are positive, and further initiatives to position LNC for afforestation initiatives are in progress.
- Other pilots and reference implementations continue to perform consistently.
- The focus ahead is to continue driving commercialization in the UAE.



Now turning to the United States, where progress is ahead of initial expectations.

The initial plan for the U.S. was divided into three sequential stages. The first academic validation was expected to take us into May 2023, followed by customer validation, before progressing to commercialization.

While it took approximately two years to progress from academic validation to the first customer pilots in the UAE, the company now anticipates that customer engagement with preliminary commercial projects may commence already during the second half of 2022 in the United States.

This is driven by the positive collaboration with the University of Arizona and the continuing impact of severe droughts and increasing water restrictions enforced by the U.S. government, as well as the solid tailwind from all the validations already completed in the UAE.

As a result, we have revised our plan with customer validation and commercialization, launching earlier and running in parallel with ongoing research collaboration with academic institutions.

Dr. Michael Davidson, who joined as CEO of Desert Control Americas, was brought onboard specifically to drive the academic validation and had a good match due to his academic accolades.

As we now accelerate towards the next stage, where the leadership requirement is more commercial, Dr. Davidson has completed his mission for Desert Control Americas. Our Group Chief Commercial Officer, Charlie Granfelt, has now taken the helm to drive this vital transition. We will further strengthen the team with a new Managing Director for Desert Control Americas to drive the commercialization going forward.

I am very excited by the progress we are making in the U.S., and as we move to the next slide, I will share some more details.



The LNC validation study with the University of Arizona shows positive interim results

Initial indications from the validation study with the University of Arizona show potential for reduced irrigation frequency, increased lateral movement of water in the soil profile, promising potential for fertilizer savings, and reduction in mortality rates of seedlings. Both watermelons and bell peppers show positive interim results for fruit size and sugar content.

The validation study is part of a five-year program in collaboration with the University of Arizona. Field plots are anticipated to receive additional LNC in 2-3 stages during the first year to calibrate formulation to the optimal level for U.S. soil, followed by performance monitoring over the entire five-year period. The next stage

is anticipated to commence in early September, with new crops that extend the validation from watermelons and bell peppers; to high-value produce such as celery and lettuce, which are important cash crops for the Yuma region.

Operational headquarter established in central Arizona

Desert Control Americas established its operational base in the Greater Phoenix, Maricopa area of central Arizona during the second quarter. Greater Phoenix is among the fastest growing regions in the United States and the 5th largest metropolitan area. Home of excellent universities, Greater Phoenix attracts talent, innovators, and capital investments as a strategic location for serving key markets in the U.S. Southwest.

Increased LNC production capacity ahead of plan

LNC production capacity increased at the end of June, with two new LNC production units (half cluster) arriving from the UAE ahead of plan. The added capacity will allow for preliminary commercial projects with clients that require coverage for somewhat larger areas. Hiring activities to staff the added production capacity commenced in June, with additional personnel anticipated to onboard during Q3.

The U.S. team engages with commercial farmers and prepares for preliminary commercial projects. Progress with the first potential client is anticipated in the third quarter, significantly ahead of the initial plan.

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I am proud to report that we continued delivering on our commitments from Q1 during the second quarter and are making good progress on building the foundation for driving the transition from start-up to scale-up.

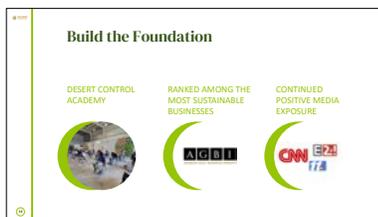
During H1, Desert Control strengthened the Executive Leadership Team (ELT) with a Chief Strategy Officer (CSO), Chief Commercial Officer (CCO), Chief Operations Officer (COO), and Head of Group Marketing and Communications, in addition to a new Chief Financial Officer (CFO). Onboarding of the new team members commenced from 1 July, and we had an exciting field trip to the desert in the UAE already the first week to drive accelerated learning and meet our team of Full Time Intelligent Passionate People.

In total, nineteen nationalities have joined Desert Control from multiple sectors bringing unique experience, expertise, and skillsets. High diversity in education, ages, and cultural backgrounds enrich our organization and is vital to delivering on our mission. The team has 22 people in Norway, 45 in the UAE, and 6 in the U.S.

Confirmation of capacity on-demand readiness and global mobility of assets

The finalization of the third LNC production cluster in Q2 confirmed that additional capacity can be provisioned on-demand with 2-3 months lead time. Two units (half cluster) were deployed to the United States, further proving the ability to deploy capacity and assets worldwide.

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The Desert Control Academy continued to evolve with more operational training programs and engaging sessions during the first half. The Academy will be a vibrant source for nurturing a uniting culture and is an essential component to support our exponential growth strategy.

On the media front, we also continue getting positive awareness in the UAE, the U.S., and globally.

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We will now turn to the Financial update.

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The figures are shared in detail in the financial report published earlier this morning.

These financial key figures will be covered in the following slides.

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	Q2 2022	H1 2022	Q2 2021	H1 2021
Revenue	10,200	19,200	10,200	19,200
Earnings before interest and taxes	1,200	2,400	1,200	2,400
Profit or loss	1,200	2,400	1,200	2,400
Group R&D expenses	1,200	2,400	1,200	2,400
Profit or loss before tax	1,200	2,400	1,200	2,400
Profit or loss for the year	1,200	2,400	1,200	2,400

Revenue recognized in the quarter relates to the commercial contracts in the UAE completed in late June.

The increased payroll expense is in line with our expectations and budget and a natural consequence of our growing workforce. As of the end of Q2 2022, we are 73 full-time intelligent and passionate people, compared to 10 by the end of Q2 2021.

Finance income in the quarter is related to unrealized foreign exchange gains on intercompany loans.

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Consolidated statement of financial position				
	Balance	06/30/2022	06/30/2021	06/30/2020
Assets				
Current assets				
Cash and cash equivalents	0.2	1,344	1,812	2,028
Accounts receivable	0.2	1,267	1,700	2,024
Prepaid expenses				
Other current assets				
Total current assets		21,963	35,314	35,084
Property, plant, and equipment	0.2	144	100	54
Goodwill				
Intangible assets				
Other non-current assets				
Other non-current assets	0.2	122,900	122,900	122,900
Other non-current assets				
Total non-current assets		123,044	123,000	122,954
Total assets		145,007	158,314	158,038

The increase in property, plant, and equipment is related to the increase in production capacity by one cluster, consisting of four units.– two in the U.S. and two in UAE.

Other current financial assets consist of fixed-income funds managed by Skagen and Storebrand. Cash and funds in total amount to 122.9 million as per the end of the second quarter of 2022.

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Consolidated statement of financial position (continue)				
	Balance	06/30/2022	06/30/2021	06/30/2020
Liabilities				
Current liabilities				
Accounts payable		144	100	54
Accrued expenses				
Other current liabilities				
Total current liabilities		144	100	54
Non-current liabilities				
Other non-current liabilities				
Total non-current liabilities		144	100	54
Total liabilities		288	200	108
Equity				
Common stock		122,900	122,900	122,900
Retained earnings		122,900	122,900	122,900
Other equity				
Total equity		122,900	122,900	122,900
Total liabilities and equity		145,007	158,314	158,038

The overall reported equity of 150 million equals 92% of total assets.

The company holds no interest-bearing debt from financial institutions.

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Consolidated statement of cash flows				
	Balance	06/30/2022	06/30/2021	06/30/2020
Operating activities				
Net income		1,344	1,812	2,028
Depreciation and amortization		1,267	1,700	2,024
Change in accounts receivable		(1,267)	(1,700)	(2,024)
Change in accounts payable		144	100	54
Change in other non-current assets				
Change in other non-current liabilities				
Total cash from operating activities		1,488	1,912	2,088
Investing activities				
Capital expenditures		(144)	(100)	(54)
Acquisition of intangible assets				
Change in other non-current assets				
Change in other non-current liabilities				
Total cash from investing activities		(144)	(100)	(54)
Financing activities				
Change in other non-current liabilities				
Change in other non-current assets				
Total cash from financing activities		0	0	0
Total cash and cash equivalents		1,344	1,812	2,028

Cash flow from operating activities is the operating profit & loss adjusted for depreciation and amortization and underlines the cash-based nature of the company in its current state.

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Consolidated statement of cash flows (continue)				
	Balance	06/30/2022	06/30/2021	06/30/2020
Operating activities				
Net income		1,344	1,812	2,028
Depreciation and amortization		1,267	1,700	2,024
Change in accounts receivable		(1,267)	(1,700)	(2,024)
Change in accounts payable		144	100	54
Change in other non-current assets				
Change in other non-current liabilities				
Total cash from operating activities		1,488	1,912	2,088
Investing activities				
Capital expenditures		(144)	(100)	(54)
Acquisition of intangible assets				
Change in other non-current assets				
Change in other non-current liabilities				
Total cash from investing activities		(144)	(100)	(54)
Financing activities				
Change in other non-current liabilities				
Change in other non-current assets				
Total cash from financing activities		0	0	0
Total cash and cash equivalents		1,344	1,812	2,028

The cash flow from this section is the release of bank deposits and funds to support the operations. No other significant sources of capital have been added through the first half of 2022.

For further information regarding the Q2 Financials, please see the full Q2 report.

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The development of the Desert Control share and the Top 20 shareholders are updated on our webpage www.desertcontrol.com/investors

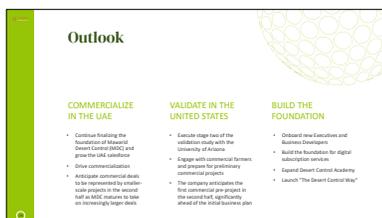
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Turning to the Outlook for H2 2022.

The priorities for 2022 remain focused on commercialization in the UAE, validation in the U.S., and building the foundation to drive the transition from start-up to scale-up.

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Our focus for the second half remains on the three priorities: commercializing in the UAE, validating in the U.S., and building the foundation to transition from start-up to scale-up.

In the UAE, we aim to;

- Continue finalizing the foundation of Mawarid Desert Control (MDC) and grow the UAE salesforce
- And drive commercialization
- MDC is still very new and just getting started and, therefore, carefully selecting bite-sized deals and projects with priority to clients with significant growth potential.
- We anticipate commercial deals to be represented by smaller-scale projects in the second half as MDC matures to take on increasingly larger deals.

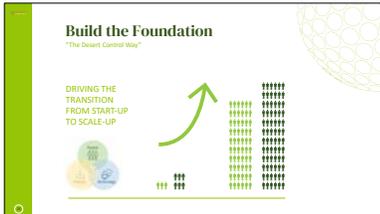
In the United States, the focus is to;

- Execute stage two of the validation study with the University of Arizona
- Engage with commercial farmers and prepare for preliminary commercial projects
- We anticipate the first commercial pre-project in the second half, significantly ahead of the initial business plan

Other priorities include:

- Onboarding the new Executives and Business Developers
- Build the foundation for digital subscription services
- Expand Desert Control Academy – for the second half, and we specifically focus on sales training and onboarding ramp-up programs
- We are also launching an important initiative named "The Desert Control Way."

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"The Desert Control Way" is an organizational scale-up model to align people and technology with efficient processes.

We have grown from 3 employees in January 2020 to 6 in January 2021, 60 in January 2022, and now 73 Full Time Intelligent Passionate People.

A lot of changes when an organization grows. Building a truly scalable organization that remains agile and execution driven requires strong leadership and the development of a well-tuned engine that makes it easy to stay focused on what's important. We view this as "win it," "do it," and "support it."

I look forward to sharing more details about this and our progress in the next quarterly update!

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That's the end of the Company Update presentation.

We will now move on to the Q&A.



A small reminder of the housekeeping items.

- We invite you to use the Q&A function for questions.
- 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.

We will also answer questions that have been submitted by email.

Q&A session *(Summarized written answers to questions raised for the Q&A)*

Q: Desert control attended the Greening Arabia International Exhibition and Forum on Afforestation Technologies from 29th to 31st May 2022. Ole Kristian Sivertsen held a presentation describing how LNC can be a solution for combating desertification and enabling reforestation. Is it expected that Desert Control will be part of the effort to plant more than 10 billion trees and rehabilitate 40 million hectares of degraded lands in Saudi Arabia? If so, when can we expect more formal information about this?

A: We attended the Greening Arabia Forum together with Mawarid Desert Control (MDC). Mawarid has an operational entity in Saudi Arabia (Barari Saudi). There is significant future potential in the country. However, I want to share a reminder that it is essential to stay focused and execute our strategy (especially in the early stage we're currently in). Desert Control remain focused on our priorities of commercializing in the UAE, validating in the U.S., and building the foundation. There is strong interest from the government and key stakeholders in Saudi Arabia. Mawarid also has other nature conservation initiatives where LNC fits perfectly, and they signed an MOU for further investigation with NCVI at the event. As we prepare for the next stages of growing the business in the region, we will share updates on an ongoing basis.

Q: How far has Desert Control come today regarding building the organization?

A: I talked about our journey from three employees in January 2020 to six employees the following year in 2021, and then 60 employees as we entered 2022. That's a fantastic journey of bringing people together. Let's look at how the basic structure is set up. We have unit economics with clusters consisting of four 20-foot container units. Each cluster is operated by a team of eight operators supported by a technician and a team lead. Based on this model, it is easy to forecast the continued growth of the organization aligned with the ramp-up of capacity. We have gotten a good start building the organization but still have a lot to do. That's why we're launching the Desert Control Way initiative mentioned earlier in the presentation. The focus is making sure to align people and technology with efficient processes to build a truly scalable organization. This is an essential part of our "Build the Foundation" priority.

Q: It seems that an argument for not having acquired bigger contracts is that Desert Control does not yet have the capacity to fulfill these. On the other hand, it seems that Desert Control is not scaling up its production capacity before the company knows what the demand is. Which of these, if any, are correct?

A: When it comes to scaling up, we have capacity. Last year, we built the first prototype cluster, and then in the second half of the year, we proved able to deliver two additional production-ready clusters (built simultaneously). The reason for building these clusters was to prove our ability to build capacity on demand. We confirmed this capability with the third cluster finalized in the second quarter of this year. Based on real-world experience (not theoretical models), we know that additional capacity can be provisioned on-demand with 3 months' notice (including building clusters and hiring and training operators to run them). Our business model further focuses on increasing the utilization rate of each cluster rather than adding more capacity before we need to. The beauty of our business model is the high flexibility in terms of Capex spending. Once larger contracts that require more capacity are signed, we know precisely how long it takes to build it; and how long it takes to hire and train the people to make the capacity operational. Based on this, we can scale flexibly with a modular building block concept going forward, which is the business model's beauty.

Q: With the current inflation, rising fertilizer costs, and food prices, are you considering increasing the price of the LNC?

A: We are following the increase in fertilizer prices in the market closely. That's also what I highlighted in the introduction today; in terms of the potential to reduce fertilizer usage, runoff, and leaching. When it comes to how we look at this in client conversations, our approach is value-based. We aim to build a profitable business case for the clients and fairly share the value created to make it profitable for us. In some events, there may be a higher upside, and based on current deals, we see that our initial pricing levels estimations hold up well.

Q: Do you expect to increase the current Capex guidance?

A: We have not shared Capex guidance so far but consider the earlier remark on the ability to scale on demand. The objective is to deploy capacity when demand ensures utilization to deliver profitable revenue. Further, we will focus on driving up the utilization rate. For people familiar with our business model and plan, a lot of the future growth comes from increasing utilization which has priority.

Q: When should we expect to see some larger contracts in the UAE?

A: The UAE has a pipeline with a mixture of small-scale, mid-scale and large opportunities, and we are working on all arenas. For the moment, we deliberately focus on getting more bite-size deals and not chew over more than we can handle with the newly formed Mawarid Desert Control company. This way, we ensure high-quality deliveries. Like in any other business, you have one chance to make a good first impression. So, we want to make excellent deliveries to ensure we have ambassador clients. We also focus on clients with growth potential as our current strategy. As soon as larger deals are signed, we will report to the market according to Euronext and Oslo Stock Exchange regulations and requirements.

Q: Can you give us an update on the latest development on the Great Green Wall initiative?

A: For those new to the term, it's a massive project coordinated and supported by the United Nations, various NGOs, and governments. The project focuses on re-greening the Sahel region's 8,000 kilometers from Djibouti to Senegal. It's a project that has received significant international funding, and it's making bite-sized progress across the region. We have continuous dialogues with the United Nations and continue looking at when will be the appropriate time for us to start engaging in the initiative. We also have, as part of our vision statement, that we aim to launch a social impact initiative in the Sub-Saharan Africa by 2025, which aligns well with the future ramp-up of our business. But now, we focus on the UAE and the U.S. while keeping in contact with stakeholders important for long-term initiatives.

Q: Please comment on the change in the project pipeline, both for the UAE and the U.S., during the quarter.

A: We have not reported changes in project pipeline and are not guiding on these KPIs at this stage. We have, however, been executing according to plan. We said in the Q1 update that we expected smaller scale deliveries to commence as the start of commercialization at the end of Q2, which took place in June. The pipeline is growing due to demand driven by increasing droughts and water scarcity. We see the same situation in the U.S. There are key drivers and macro trends that build demand, but we haven't started providing guidance on the project pipeline or order book yet - that will be in the next stage as we mature the business.

Q: Is the sales organization in UAE operational as we speak?

A: We have been selling in the UAE for quite some time and do, of course, have strong sales resources in place from the Desert Control organization. We're now ramping up our shared Mawarid Desert Control organization, and salespeople were hired in Q2 that will be onboarding in the third quarter and actively growing.

Q: Please comment on the change of management in the U.S.

A: We already commented on the change in the Company Update. We are progressing ahead of plan in the U.S. Our initial plan was sequential in the same way it developed in the UAE. Significant time was spent on academic validation, followed by pilots and customer validations ahead of commercialization. In the UAE, the academic validation took two years. We anticipated development in the U.S. to be similar and only slightly faster, but now we see opportunities to go even quicker, which is great news. Dr. Davidson was a good match for the academic validation stage with his academic accolades. Now that commercial activities are accelerated, we need more commercial leadership. We are grateful that our Group Chief Commercial Officer, Charlie Granfelt, has taken the helm to drive the transition together with the U.S. team, also supported by the leadership team and other key resources in Norway to accelerate the commercial transition as we recruit and onboard the future managing director for Desert control America. It's a very positive development.

Q: For what kind of new contracts can we expect separate announcements going forward?

A: When it comes to the announcement of contracts, we will, at any given time, follow the regulations and requirements for publicly listed companies and report according to that. For any material contracts that will have an impact on valuation, we will report them immediately according to market requirements.

Q: What is the approximate extent of your cash runway extrapolated from your current number of employees and operational costs? Do you foresee a need for loans or share offerings in the future?

A: We are following the original budget and do not have any deviations. Our financials can be followed in our quarterly reports, and we're progressing according to plan. As the business matures, there may be multiple ways for funding, i.e., project financing for larger projects, and we also see interesting developments in the green bond markets, etc. We do not have any concrete plans on any of these areas at the moment but see that many interesting options are developing along with the maturity growth of our organization.

Q: Are the first commercial projects such as Al Ain farm, Pump Park and In5 Tech completed or still ongoing?

A: The scope of work for these three projects is delivered and completed. We used the term "bite-sized" deals for these to highlight that after the first bite, there is potential for more with the same clients. Once material contracts are signed, we will report them in accordance with information guidelines. Regarding Masdar City, Pump Park, and the in5, TECOM Group projects, we also highlight the successful experience with application of LNC and how it was deployed. These clients represent different environments, landscapes, and vegetation, and the ability to deploy LNC even using subsurface drip irrigation systems in a consistent way showed good results; these are inspiring developments that demonstrate significant potential for other similar projects.

Q: Can we expect the full revenue of this to be booked in Q3?

A: Revenue recognition will be reflected in our quarterly reporting accordingly. Some of the revenue from the mentioned smaller-scale "bite-sized" deals are recognized in the first half.

Q: Has there been any contact with authorities in the UAE regarding possible subsidies for the use of LNC?

A: There are a lot of initiatives ongoing in the UAE. The UAE is, in many ways, a leading example of sustainability with progressive initiatives to reach net-zero targets, strengthen food security, address water scarcity, and other climate objectives. Several evolving initiatives may be relevant for us and our clients in the future. So, it's definitely an interesting area.

Q: Do you still expect to be commercially active in the U.S. in Q1 2023? And what are the main challenges in reaching these targets?

A: Our original anticipation was that academic validation initiatives in the U.S. would take until late May 2023. The initial plan was structured with sequential stages; (1) academic validation, (2) customer validation, and (3) commercialization. As such, commercialization for the U.S. was not anticipated to start before late 2023 to early 2024 in our initial plan. We are now seeing potential for significant acceleration of this by stages 2 and 3, moving up to run in parallel with continuous research and development collaborations for academic validations. This is driven by the positive collaboration with the University of Arizona, the impact of increasing and continuing droughts, and the severity of water restrictions the U.S. government applies.

In mid-August, another regulatory water cut-back for the Colorado river was announced (Tier two reduction). States like Arizona, Nevada, and New Mexico will be managed under this restricted water allocation regime throughout 2023. Already under "tier one reduction," many farmers and growers were struggling, and the impact of the "tier two reduction" will force many to potentially reduce the acreage under cultivation due to absolute water limitations.

Our revised plan with a path to accelerated commercialization is also supported by tailwinds of everything we've previously achieved in the UAE. Desert Control was founded based on 12 years of R&D and field trials and has since 2018 been proven in the United Arab Emirates with academic validation through 2019 and 2020, followed by customer validation through 2021 and into 2022. Already from the initial observations in the U.S., it is apparent that there is a strong transferability of results achieved in the UAE.

So yes, we expect to be commercially active earlier than previously anticipated. Let's also add that because of all the validation achieved thus far, we see less need for pilot projects. Clients understand that the technology is tested and validated but may still want to test it on their own land. The beauty of our business model is the ability to offer smaller-scale implementations as preliminary commercial projects on commercial terms and expand in stages to quickly achieve advantages for their own land areas and operations.

Q: What are the main hurdles for rapid progress in commercialization and use of LNC in the UAE by MDC?

A: To create a partnership that will be solid over time, we need to build a good foundation. We have to be respectful that it does take some time and remember that; "if you want to go fast, you go alone, but if you want to get far, you go together." We believe that the initial time spent on building the foundation will be offset by significant benefits in the long term. (The time required to shift our go-to-market model in the UAE from direct to indirect, revised our business plan with commercialization starting from June 2022, and short-term impact is anticipated to be offset by long-term benefits allowing Desert Control to focus on core business and building the foundation for international expansion).

Many companies enter the UAE with extreme expectations that business will move fast early on. Many of them have seen deals failing and relationships faltering due to a lack of patience and consistent work to build the foundation. People tend to overestimate what can be achieved in the very short term but significantly underestimate what can be achieved in the long term.

We have a very good partner in place for the UAE, and together we are building the foundation for success. With this partnership, we can utilize the significant Mawarid resources for last-mile delivery and application and gain advantages from resources, experience, and relationships developed over years by Mawarid. Building the foundation at the right speed to drive successful commercialization at an accelerating pace with a partner is the main hurdle but also the main opportunity. Executing this in the right way is what we're focused on.

Q: How far has Mawarid Desert Control come to date in regard to building organization?

A: The incorporation and readiness activities were delayed by Ramadan, and core readiness activities started in mid-May. We have come to the stage where the first commercial deliveries are executed together, and we are progressing after a slow start in H1. We also hired additional salespeople to build the UAE salesforce, and the organization is gradually turning operational and will mature by continuing commercial work in H2.

Q: Do you see a potential to benefit from the recently enacted inflation of reduction act in the U.S.?

A: The inflation reduction act in the U.S. will definitely have a positive impact on our area. There are many ways to interpret the budget allocations under the program, and reports consider approximately \$20 billion to be tagged towards climate impact initiatives related to food security and agriculture. This will definitely have a positive impact. The U.S. also has a strong history of putting in place various support mechanisms that helps farmers and growers to invest in the right technology to achieve objectives set by the government. Such programs can support farmers and growers to accelerate the implementation of innovations like ours.

Q: Can you confirm which kind of AIM partnership you have entered?

A: For those unfamiliar with the term AIM, AIM is short for Agriculture Innovation Mission, and it's a collaborative initiative between the United States and the UAE to advance innovations for climate-smart agriculture. We have been taken into the AIM program as a knowledge partner. With our technology first tested in the UAE and now being deployed in Arizona, it aligns well with the objectives of the AIM program. It's still early days, but there is potential for interesting collaborations going forward.

Q: How do you assess your competitiveness compared to companies that deliver automated irrigation solutions based on the internet of things and machine learning?

A: We do not see irrigation solutions as competitive but rather as complimentary. Clients need to manage their water and be able to avoid applying more water than the soil can retain at any given time. At the same time, it is vital that the water applied is retained in the topsoil for plants to use. The fact based on research is that regardless of how water is applied to the soil, less than 15% of the water is retained in the topsoil long enough for plants to make use of it (research by J.S. Wallace referencing global averages). For highly sandy soils, the water moves straight down even faster, making it imperative to work in both dimensions; both irrigation control and soil water holding capacity. Retaining the water in the topsoil can also reduce wash-out and loss of fertilizers, organic matter, and other expensive inputs; and further reduce operational costs and energy consumption by reducing the hours per day of running pumps to drive irrigation systems, etc. Combining both approaches is a good pathway to transition to truly sustainable and regenerative land management.

Q: The target of 100 million hectares is huge. How do you feel right now about achieving this by 2030?

A: A common perception for most human beings is to overestimate what can be achieved in the very short term and to significantly underestimate what can be achieved in the long term. We focus on enabling the transition from start-up to scale-up, where our priority is building the foundation to scale exponentially. Enabling exponential scalability is an integral part of our strategy, and any exponential scaling starts with fairly flat growth curves in the beginning before the exponentially kicks in. Considering this, we believe in the possibilities to reach this ambition. We continue building the foundation, remaining focused, and driving execution. First, we will ensure to succeed with commercialization in the UAE and secure validation in the U.S. under our "2+2 strategy". From there, we can grow from 2+2 to 4+4 and onwards at accelerating pace. There are more than 110 countries around the world that experience increasing desertification, water scarcity, and degradation of topsoil. The potential is enormous, and even the longest journey starts with the first step.

Q: In previous presentations, a frequent question is when you will start providing financial guiding for positive cash flow, etc., I understand that this is a question of when the focus is changing from growth to profitability, etc., but as you know, are commercially active, please put some flavor on the unit economics. How is it compared to the numbers referred to during the listing process, and most importantly, is it possible to obtain profitability at units within a reasonable time?

A: We have ongoing initiatives to get more cost-effective and utilize our resources and the deployed Capex as best as possible. There is no material change from the numbers communicated during the listing process. Of course, in the UAE, the new business model with Mawarid enables Desert Control to fully focus on core business and optimal production of LNC, along with continuous development to ensure we have the best technology offering in the world will help us achieve these objectives.

Q: If not communicated through the Q2 report, can you please provide some transparency regarding the future pipeline of work, for example, any framework agreements or other guiding you can share with the market?

A: We share updates through regulatory corporate releases and press releases as they happen. We follow the requirements and regulations of the Oslo Stock Exchange and Euronext Growth as a publicly listed company. Our focus at this stage (both in the UAE and the U.S.) is to secure successful commercialization through small-scale (bite-sized) projects targeted toward clients that have larger potential. The first stage focus on bite-sized deals with smaller-scale projects, keeping on growing with these clients and winning new ones. Certain clients may have thousands of farms and winning the first one by making the delivery successful opens the door to more and larger projects, just to give an example of how we are working. Based on the success of the first couple of deliveries, the next stage may progress to a framework agreement for larger-scale implementations.

Regarding when we will provide guiding to the market on these KPIs, it is still too early. Our objective is to mature the business and commercialization stage before we start to guide consistently on KPIs such as order book and backlog. We foresee that this may be starting to be part of our guidance as we enter the next year. For other material deals, we will report them as they take place.

Q: With current cash burn and a communicated growth strategy, it's inevitable with some additional funding at some point. Do you see alternatives to equity, for example, funding programs in the UAE such as ADIO, etc.?

A: As the organization and our business mature, there will be various options that will be possible to utilize, such as project financing, etc., going forward. We have received financial support from Innovation Norway (Miljøteknologiordningen – the environmental technology solution fund) and Skattefunn so far. Other programs, both domestically and internationally, will continue to represent opportunities going forward. Many public grants also have an approach that if you want to get a dollar, you have to invest a dollar: Therefore, we believe that combining such programs with our cash balance and equity can be good combinations as we look to the future.

Thank you for joining our Q2 and H1 2022 Company Update, and thanks for engaging questions. It's inspiring to have investors, stakeholders, and people who follow us on sessions like this, especially when we can spend 40 minutes on the Q&A and still not run out of questions. We look forward to sharing more exciting updates during the quarter and in our next quarterly update for Q3 on 25 November 2022.

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