Desert Control Q3 2024 Company Update Presentation (Transcript)

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Welcome to the Desert Control Q3 2024 Company Update webcast.

It will cover the Q3 Report and Interim Financial Results for the fiscal period that ended on September 30th, 2024.

Some updates for Q4 Year-to-Date will also be included.

A Q&A session will follow the presentation, and we invite you to use the Q&A function to submit questions.

Before the official Q3 Update Agenda, Desert Control's CEO will share a brief introduction.

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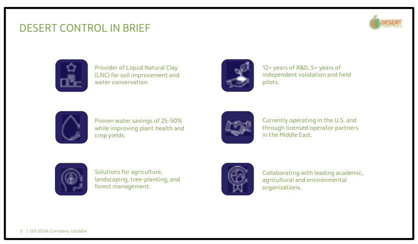

Desert Control specializes in nature-based solutions to combat desertification, soil degradation, and water scarcity. Our leading innovation, Liquid Natural Clay (LNC), enables sand and light, thirsty soils to retain water and nutrients and improves soil health. Our clients span agriculture, landscaping, and forestry sectors.

With over twelve years of R&D, complemented by five years of independent validations and field pilots, we have established a presence with commercial deployments in the United States– and the Middle East, where licensed operator partners extend our reach. Our solutions have proven to save water by 25-50% while simultaneously improving plant health and crop yields.

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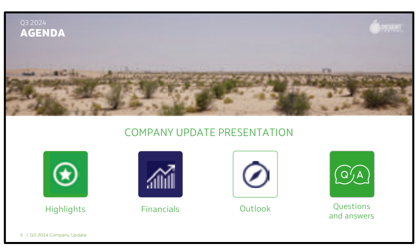

Thank you for joining us! I am Ole Kristian Sivertsen, CEO of Desert Control, and I will take us through today's agenda for the Q3 and Year-to-Date Company Update, which has four parts:

- First, I will present **Highlights** and achievements so far this year
- Next, our CFO Leonard, will take us through the **Financial Update**
- Then, I will share a brief **Outlook** before we close with the **Q&A session**

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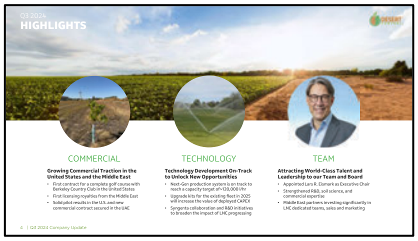

Let’s start with an overview of key achievements this quarter. These highlights lay the foundation for what we’ll explore in more depth in the following slides.

First, our commercial traction has accelerated in the U.S. and the Middle East. The milestone achievement with Berkeley Country Club is our first binding agreement for a complete golf course. Next, Our first licensing royalties from the Middle East mark another major milestone, showing that years of groundwork in the region have started translating into tangible revenue. In the UAE, a new commercial contract has also been secured and good progress is also being made in Saudi Arabia.

On technology development, we’re moving closer to reaching unprecedented capacity with our next-generation production system, aiming for over 120,000 liters per hour. This is critical as we look to deliver LNC at scale. To ensure that existing units continue to deliver maximum value, we’re also planning upgrade kits for 2025. Our collaboration with Syngenta is also off to a good start showing synergistic impact potential for our LNC innovation. Progress in the R&D area will help us open new markets and extend value beyond water savings.

And finally, both we and our partners have strengthened our teams. The addition of Executive Chair Lars R. Eismark brings invaluable world-class leadership that will help sharpen our strategy and attract support from new stakeholders to take Desert Control to the next level. We also reinforced our R&D and soil science expertise to drive further innovation. Lastly, I am honored and excited to see our Middle East partners investing heavily in dedicated LNC teams, allowing us to scale across the region and drive market expansion with focused sales and marketing efforts.

The following slides will explore the key topics in more detail and discuss how they’re setting us up for even greater success. Let’s move on to commercial progress.

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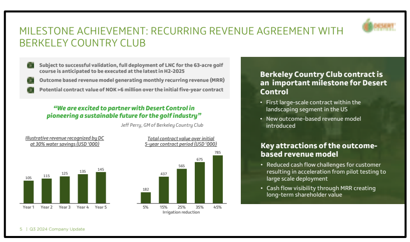

The recently announced agreement with Berkeley Country Club is a pivotal step for Desert Control. It represents our first binding commitment for a full-scale golf course deployment in the U.S., and the introduction of a scalable, outcome-based revenue model designed to drive recurring revenue while creating a true partnership with the client.

It’s important to note that while the agreement is binding for the client, it includes a validation step for us. As we are taking on the financial risk, this step allows us to confirm and fully validate that we can achieve a meaningful enough water savings impact to make the deployment attractive for us in alignment with the financial model outlined in the graph on the right in this slide showing the outcome based on irrigation reduction (how much water we can save).

This is also our first deployment in the Bay Area, and soil textures vary from region to region. By including this step, we are taking a prudent approach to dial in LNC formulation to ensure the solution performs optimally in this new environment. Meanwhile, the client is ready and eager to deploy immediately as water costs have become their single largest operational expense, as for most golf courses in California.

Operationally, the deployment will use the prototype unit we already have, which has been field-tested with verified capacity to complete the job efficiently – but don't forget that this is a prototype unit which means it is under development spending time in our engineering facility while making frequent trips to field to produce for testing.

After the initial validation we want to do for the Berkeley course, the full-scale application will take place during one of their 2-3 day maintenance windows, which occur twice a year—in spring and autumn. This is when they run their aerification process, where the turf is aerated with small holes, which is perfect for LNC deployment as it enables the ground to absorb large volumes quickly and minimizing runoff, especially in sloped or undulated areas. This makes these maintenance windows the ideal timing for applying LNC through the irrigation system.

Looking at the broader opportunity, most golf courses follow similar seasonal maintenance schedules. With our current prototype alone, we could likely handle 2-4 courses per maintenance window, and with additional units and team members, this capacity will grow significantly. By coordinating maintenance days within these windows among courses in close proximity, we can maximize efficiency and cover even more clients per season.

We're confident this model will resonate with many golf courses, particularly those with high water costs. By eliminating the need for upfront investment, this approach accelerates the transition from pilot phases to full-scale deployment. This creates a clear pathway for several full-scale deployments in 2025, establishing Desert Control as a trusted partner in water-intensive sectors like golf and landscaping.

Financially, the potential is clear. With 20-30 contracts like this alone, our U.S. operations would represent a solid cash-flow positive business. This agreement highlights how the outcome-based model aligns our success with the client's, addressing their critical need to reduce water costs without upfront financial barriers while securing reliable revenue streams for Desert Control.

Now, let's move to the next section, where we'll discuss the progress of our pilot programs and the impact on our pipeline of future contracts.

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Our U.S. pilot results are driving confidence, paving the way for larger contracts, and generating growing incoming interest by word of mouth.

In landscaping, pilots achieved over 25% irrigation savings, with some sites seeing reductions above 50%. These results are compelling in high-cost water markets like California, where water savings directly translate into financial savings, strengthening our position for larger contracts.

In agriculture, yield data from a pilot at an LNC-treated date farm in Arizona indicates nearly double yield compared to untreated areas. While yield improvement needs to be validated over multiple seasons, it proves LNC's economic value for farmers, even where water is relatively cheap which we will look more into in the next slide. For context, keep in mind that Berkeley Country Club pays nearly $4,000 per acre-foot of water, while farmers in Yuma may pay as little as $10-20.

Looking ahead, anticipated water policy changes in the Colorado River Basin for 2026, when the old law of the river water rights expire, are driving farmers interest to pilot LNC now. As water rights frameworks shift, we expect higher water costs and restrictions, making conservation solutions like LNC even more critical.

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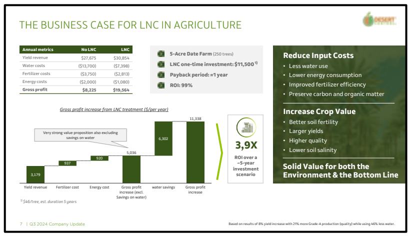

This slide illustrates the business case for LNC in agriculture, based on results from a pilot on a 5-acre date farm in Abu Dhabi. This region is known for extreme conditions and high water stress, where the results demonstrate that LNC can deliver solid financial returns even in challenging environments and even where water is cheaper.

For an initial LNC investment of $11,500 for this small 5-acre date farm, the payback period is within the first year when including water cost, and just over 2 years if the water was completely free of charge.

With LNC, annual gross profit nearly doubles through increased yield revenue, reduction in fertilizer use, and less energy cost for water pumping and running irrigation systems, which combined show significant value even before we add the water savings.

These results demonstrate that yield improvement alone can justify the investment, even in regions with low water costs, such as Yuma, where farmers pay only $10-20 per acre-foot.

Now, your immediate question is probably, “With such a compelling business case, why isn’t Desert Control’s order book already full?” The answer lies in agriculture’s longer validation cycles. Farmers are cautious with new technology and require multiple seasons to validate results across varying conditions – especially for large up-front capital expenditures. However, if and when water goes from cheap to expensive, implementing a solution to conserve becomes urgently critical – which is why we are seeing increasing incoming interest in piloting our LNC even in the lower water costs regions in the U.S. Southwest.

In summary, LNC provides a strong business case with solid financial returns and high scalability potential, positioning Desert Control for accelerated growth as pilot programs validate long-term multi-season yield impact and will accelerate further as water scarcity and costs continue to drive demand.

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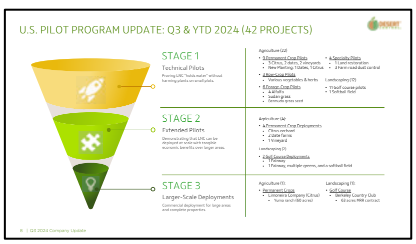

Each quarter, we’ve shown this slide to update you on our growing pilot portfolio, which now includes 42 active projects across three stages. As our pilot program matures, it’s structured to guide projects through a clear pathway, from early validation to large-scale commercial deployments.

Stage 1: Technical Pilots – This stage is simply about proving that LNC ‘holds water’ without harming plants, focusing on small plots. We currently have 22 agriculture projects and 12 landscaping projects in Stage 1, covering applications from permanent crops to golf courses.

Stage 2: Extended Pilots – In Stage 2, we’re expanding to larger plots, where we demonstrate LNC’s economic benefits over extended areas. This stage includes 4 agricultural pilots and 2 landscaping pilots, allowing clients to see firsthand the impact of LNC at scale, where multi-season yield impact and other factors are key criteria’s.

Stage 3: Larger-Scale Deployments – Stage 3 is the transition to larger commercial deployments for complete properties in one go or structured as phased deployments over time. Here, we have two larger deployments: a 60-acre citrus ranch with Limoneira Company and the 63-acre golf course with Berkeley Country Club is lining up to become our first full-course deployment in the landscaping sector.

As our project portfolio grows, we recognize that simply sharing these project numbers does not fully capture the value of our pipeline. Moving forward, we’re shifting to an approach that better visualizes the pipeline’s potential, including the projected

LNC volume and the incremental growth from one stage to the next. I'll introduce this in a few slides to help you better understand how these projects build real value.

– This is likely the last time you'll see this slide in our quarterly updates as we transition to an approach that gives a clearer picture of the pipeline's commercial potential.

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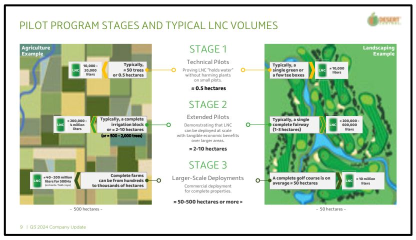

But first, let's take a moment to look at the scale of growth as projects progress through each stage in our pilot program.

This visualization highlights that moving from Stage 1 to Stage 3 isn't just about increasing the number of projects—it's about exponential growth in value and scale. Each stage represents a significant step up in deployment size and LNC volume, with larger pilots in Stage 2 and full property deployments in Stage 3.

As projects progress through the stages, the potential value of each deployment grows substantially. Stage 1 focuses on technical validation, but by Stage 2, we're already demonstrating tangible economic benefits over larger areas. By the time projects reach Stage 3, they're ready for commercial-scale impact over substantially larger areas with that very same client, which builds significant volume and revenue potential.

This shift in scale is essential to understanding how our pilot portfolio builds incremental value as projects move from early testing to full deployment. Keeping this in mind will help frame the next slide, where I'll introduce how we will keep you informed on our pipeline development and its potential for revenue growth going forward.

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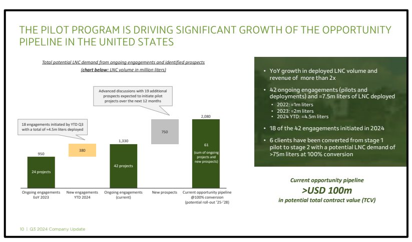

With the understanding of the pilot stages and their exponential growth potential, this slide presents a clearer view of our expanding U.S. pipeline and its commercial opportunity.

Starting with ongoing engagements:

- We ended 2023 with 24 active projects, representing a potential LNC demand of approximately 950,000 million liters—reflecting the total addressable acreage of these clients at full conversion.
- Moving into 2024, we've added 18 new engagements, as highlighted by the yellow bridge, deploying around 4.5 million liters. The total addressable acreage of these 18 client engagements, if fully converted, represents a potential demand of 380 million liters.
- Altogether, this brings us to 42 projects year-to-date, representing a combined potential demand of 1.3 billion liters based on total client acreage, at full conversion.

In addition: We're in advanced discussions with 19 additional prospects, with pilots anticipated to begin over the next 12 months. If fully deployed, these 19 clients represent a potential demand of 750 million liters.

In total, our current opportunity pipeline, including ongoing engagements and advanced prospects, comprises 61 projects and prospects, representing a total potential demand exceeding 2 billion liters. The total potential contract value of this pipeline is estimated at USD 100 million. It's important to note that this estimate reflects full deployment across all identified acreage at 100% conversion. Realistically, deployment and revenue will likely occur in stages over a 3-5 year horizon, depending on achievable conversion rates, client needs and engagement structures—some upfront, some phased, and some through recurring revenue models like the Berkeley Country Club agreement.

To summarize:

- We've achieved strong year-over-year growth, driven by strong sales efforts.
- Year-to-date, we've added 18 new engagements and deployed approximately 4.5 million liters of LNC.
- LNC volume deployed and revenue as well as total pipeline value have more than doubled year-over-year.

This performance marks a remarkable milestone for Desert Control, positioning us with strong momentum heading into the new year. I'd like to recognize our team's dedication and hard work in achieving these results.

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Our licensed operator model in the Middle East is building strong momentum, marked by several key achievements this quarter.

First royalty revenue: We recorded our first royalty income from the region in Q3 2024. Although modest, it shows that the groundwork laid over previous years is starting to pay off, establishing a foundation for recurring revenue in this high-potential market.

Our UAE partner also secured a 1.8 million-liter contract for a real estate development project in the UAE, reflecting growing demand in the landscaping and sustainable development sectors.

Nursery pilots and other strategic projects in early stages in both Saudi Arabia and the UAE are proving LNC's effectiveness, further supporting market adoption and future growth. I'm very inspired by visiting the region and engaging in conversations on opportunities and receiving feedback from partners and prospective clients from ongoing pilots and engagements where clients are showing great excitement.

I want to extend our gratitude for the significant investments our Middle East partners have made this quarter—strengthening dedicated LNC teams, building a solid sales organization, and launching effective marketing initiatives. These efforts are setting the stage for continued growth across the region.

We're further experiencing incoming interest from several additional countries in the broader MENA region. This could represent opportunities for additional partners or market expansion with our existing partners in the UAE and Saudi Arabia. There's also meaningful value potential from partners interested in paying upfront for exclusivity rights in certain countries, markets, or sectors that we will explore in the coming quarters.

Finally, I want to thank our Middle East partners for their significant investments and the passionate work being done—Together, these efforts position us well for continued growth in this region.

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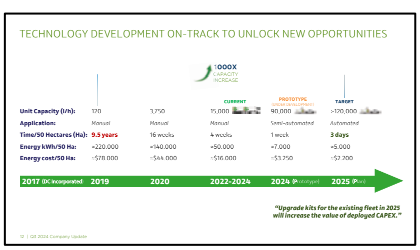

This slide illustrates Desert Control's tremendous progress in scaling up our technology and what being a technology-forward-driven company means for commercial readiness.

First and foremost, scalability: We've taken LNC from a lab-scale output of 120 liters per hour to an expected 120,000 liters per hour by 2025. This 1000-fold increase is a breakthrough that allows us to target high-demand sectors, like golf and large-scale agriculture, where high volume and rapid deployment is essential.

Cost efficiency and ROI are also key here. As we've increased capacity, we've dramatically reduced time, energy consumption, and costs per unit of LNC produced, as we see here in the example on the requirements for treating a 50-hectare landscape equal to a large golf course.

With the capacity of the next-generation production system, we will, for the first time, be able to complete large-scale applications on properties like golf courses within the limitation of their typical 2-4 day maintenance windows. This is enabled by the new high throughput technology and our ability to now apply LNC through existing irrigation systems—a major breakthrough achieved earlier this year.

Additionally, we will be future-proofing our technology with planned upgrade kits for 2025. These kits will allow our existing fleet, especially units deployed by partners in the Middle East, to benefit from our latest capacity advancements. This approach maximizes the value of our deployed CAPEX and enhances long-term value.

In short, these advancements in scalability, cost efficiency, and technology readiness are positioning Desert Control for rapid growth across multiple sectors.

I have a lot of exciting things that we will be talking about in the coming quarterly updates regarding automation and how that will enable us to drive even more scalable growth, but more to come on that.

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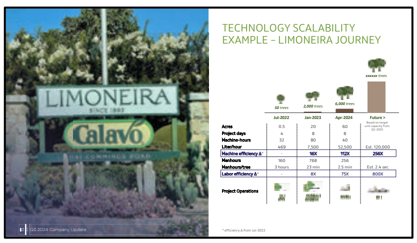

This slide showcases the remarkable impact of our technology development, as demonstrated by our journey with Limoneira.

We began in July 2022 with a pilot for just 50 trees, where it required 3 man-hours per tree to complete the project.

By April 2024, as we scaled up to over 6,000 trees, we reduced this time from 3 hours to 2.5 minutes per tree—a massive leap in efficiency.

Looking ahead to 2025, with our target capacity of 120,000 liters per hour, we expect to bring this down to 2.4 seconds per tree. This represents a transformative leap in scalability, along with significant improvements in energy and cost per unit of LNC produced and applied, as highlighted in the previous slide.

The Limoneira journey underscores how our technology development is transforming operational capabilities, paving the way for large-scale deployments with unprecedented speed and cost efficiency. This scalability is essential as we expand to serve major clients across high-value markets.

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Our R&D priorities are twofold: to increase value and to expand markets.

Increasing Value: We're focused on enhancing the effectiveness of LNC by for example integrating it with biologicals and holistic soil health solutions. This includes mitigating soil salinity—a crucial factor in desert and arid regions—and reducing fertilizer leaching, which not only improves efficiency but also supports more sustainable farming practices.

Expanding Markets: We are working to broaden the application of LNC to more diverse soil types and conditions, pushing the boundaries of where our technology can be effectively deployed. Increasing the salinity tolerance of water sources is also a critical area, especially as we work in regions where freshwater availability is limited.

Through partnerships, like our ongoing collaboration with Syngenta, we are also accessing new market channels, further strengthening our commercial potential.

Speaking of Syngenta, early lab results in this collaboration have shown promising synergies with LNC, including improved water efficiency, root biomass, and microbial activity. These insights are paving the way for more targeted solutions that enhance the resilience and productivity of soils, and we are moving forward with Syngenta field trials from the end of the year that will run through the first quarters of 2025.

In summary, these R&D efforts not only increase the direct value of LNC for our clients but also open doors to broader markets, reinforcing Desert Control's position as an innovator in soil and water solutions.

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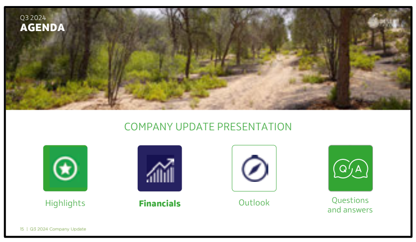

We will now turn to the Financial update, and I pass it over to our CFO, Leonard Chaparian.

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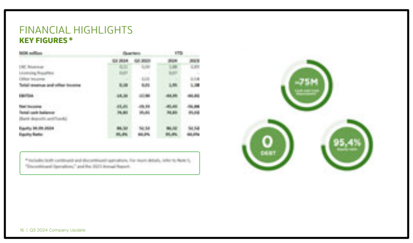

Thank you Ole Kristian, and good morning to you all.

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

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

Our LNC revenue remains at double the level compared to the same period last year, consistent with the strong performance seen in the first half of the year.

This growth continues to be driven by the steady rollout of new pilots in the US.

In addition, we are pleased to report that for the first time, we have begun to see royalty income from our partners in the Middle East, marking an important milestone in our licensed operator model.

EBITDA improvement as of Q3 now exceeds 15 million NOK, aligning with our earlier forecasts.

The company closed the third quarter 2024 with a positive cash balance of 75 Million kroner and has no interest-bearing debt.

These figures include both ongoing and discontinued operations of Desert Control.

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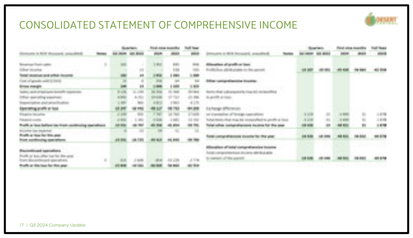

Revenue from sales in Q3 2024 now includes licensing royalties for the first time. For further details, please refer to Note 2.

Year-to-date, our revenue from sales has reached nearly 2 million NOK, compared to 850,000 NOK for the same period last year—more than doubling year-over-year.

This growth has been driven by larger-scale deployments, along with an increased volume of pilot projects.

In our ongoing operations, operational costs in Q3 have slightly decreased compared to the same period last year, despite increased activities in the US.

This reflects our lean and focused approach in our daily operations.

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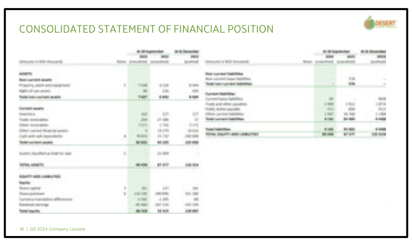

Our financial position remains strong, and as mentioned in previous quarters, we have converted our fund investments into cash to ensure we are not overly exposed to market fluctuations.

This prudent approach reinforces our commitment to maintaining financial stability and mitigating risk.

Cash and funds in total amount to 75 million Kroner as of the end of Q3 2024, and we have no interest-bearing debt.

Our financial resources are robust and sufficient to support both our ongoing operations and planned activities. As previously anticipated, we remain on track for our financial runway to extend to Q4 2025, even when excluding revenue.

The overall reported equity of 86,3 million kroner equals 95,4% of total assets.

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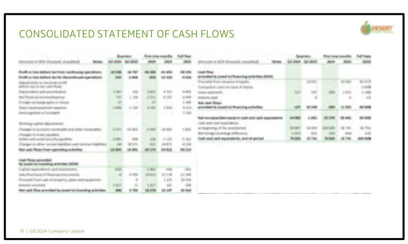

The cash flow from operating activities, divided between continued and discontinued operations, reflects the operational profit and loss, adjusted for depreciation and amortization, highlighting the company's cash-focused approach.

For Q3, there are no standout changes in cash flow, with overall movements aligning with expectations and previous quarters.

No additional significant sources of capital have been introduced during the third quarter.

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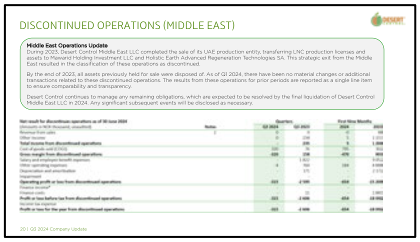

In Q3, we identified certain cost of goods sold (COGS) associated with discontinued operations, specifically related to our reorganization in the Middle East as part of the transition to a licensing model. This is the only standout cost related to discontinued operations for the quarter. Otherwise, we are observing that costs are steadily trending toward zero.

The subsidiary has been liquidated, with the only remaining matter being an outstanding VAT claim, which we expect to receive in the near future.

For further information regarding the Q3 Financials please see the full Q3 report.

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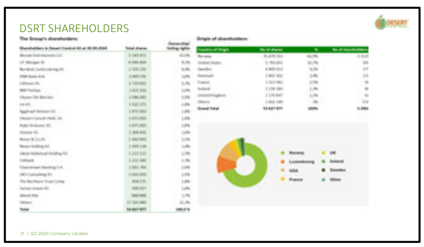

To get additional information about the Desert Control share and the Top 20 shareholders, please visit our webpage desertcontrol.com/investors [Investor — Desert Control](https://desertcontrol.com/investors).

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We will now turn to outlook before we close with the Q&A.

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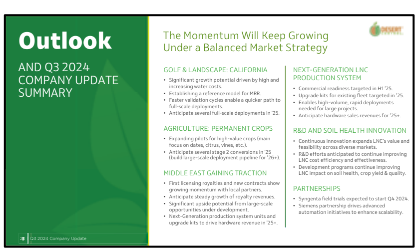

As we look ahead, Desert Control is positioned for scalable growth across high-value markets.

First, our technology is ready to scale. With our next-generation production system coming online in early 2025, we'll have the capacity for high-volume deployments, opening doors in golf, agriculture, and other water-intensive sectors that were previously not attainable.

Second, we're seeing strong commercial momentum. We doubled LNC volume deployed and revenue year-over-year in 2024, and with our current pipeline, we're already well on track to more than double again going forward. We're confident in seeing multiple complete golf courses fully deployed in 2025, alongside several phase 2 deployments in high-value agriculture.

Third, our Middle East partnerships are gaining traction. We've recorded our first royalties, secured new contracts, and are poised for continued growth in this high-demand region, supported by upgraded systems and new units rolling out in 2025.

Finally, our R&D and strategic partnerships with companies like Syngenta and Siemens are expanding LNC's applications and capabilities, opening new market channels and positioning Desert Control to capture more opportunities.

In short, we're on a clear path toward growth with a balanced market strategy that will blend project revenues with hardware sales and recurring revenue.

2025 is set to be another breakthrough year for Desert Control.

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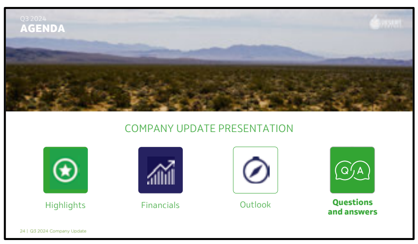

We will now start the Q&A session. We invite you to use the Q&A function for questions.

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Before we close the session, please take note of the disclaimer relating to forward-looking statements.

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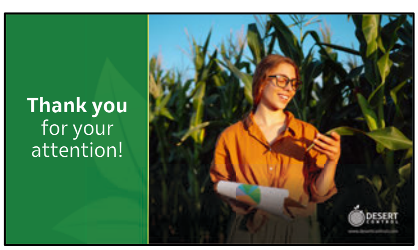

Thank you for joining the Desert Control Q3 2024 and Year-to-Date Company Update Presentation.

We look forward to sharing more updates in our Q4 presentation in the new year.

Q&A session *(Summarized written recap of the questions and answers from the Q&A session)*

Q: Does applying LNC on a golf course affect the drainage capacity during heavy rainfalls?

A: What we observe when applying LNC in golf course environments is that these areas typically use products like surfactants or wetting agents. These products work by breaking the hydrophobicity of the surface layer, allowing water to penetrate more easily. When the surface is hydrophobic, water tends to bead up, similar to how it behaves on an impermeable surface.

When LNC is applied, we've seen that the need for such surfactants can be eliminated or significantly reduced. During heavy rainfalls, this results in a more spongy soil or turf surface that absorbs water and allows it to penetrate into deeper layers. At the same time, LNC increases the water-holding capacity in the sandy base beneath the softer thatch layer on top. This is essential for maintaining a hard, firm playing surface that doesn't become soggy while also conserving significant amounts of water.

Q: Thank you, Ole. The next question is also related to golf courses. What is the most common positive or negative feedback, if any, from golfers playing on turf treated with LNC?

A: Running this company keeps me quite busy, so I haven't had the chance to play golf or socialize extensively with golfers. That said, my personal dream would be to see our fellow countryman, Viktor Hovland, try out a course treated with LNC and become so impressed that he refuses to play on courses without it. His support could highlight the importance of sustainability in the golf industry, which is a cause we are passionate about and share with many of our clients. For example, Berkeley Country Club has shown a deep commitment to sustainability and is pioneering efforts for a sustainable future in golf, which we are very excited to support.

Q: Thank you, Ole. The next question is: As we enter 2024, you mentioned we could expect a steady increase in contract income throughout the year from both Saudi Desert Control and Mawadi Desert Control, with a larger uptick toward the end. However, after Q3, there hasn't been much progress, and there are only 1.5 months left in 2024. Why has progress in the Middle East been so limited?

A: I would say it comes down to building a solid foundation. Many of you know that we've invested significant time in groundwork in the Middle East, and while it has taken longer than expected, there are important fundamental steps happening. For example, focusing on building and investing in sales teams. One of our partners in the Middle East, a large family-driven company, has transitioned into a commercial enterprise. This meant they initially lacked a sales force, but they've since invested in building one.

Throughout the year, we haven't seen substantial royalty revenues because the focus has been on smaller pilots and initiatives, similar to the pilot backlog I highlighted in today's presentation. Our Saudi partner is essentially a startup, having started operations only at the end of last year. They're at a stage comparable to where Desert Control was in 2017 or 2019, when we were just beginning to onboard our first employees.

While I'm eager and admittedly impatient to see revenue pick up more quickly, we've set minimum target requirements within the licensing agreements with our partners. These are expected to drive significant revenue increases in 2025. As I mentioned earlier in the year, the initial phase involves smaller pilot projects that may not yet be reflected in licensing royalties. Over time, as these pilots transition into commercial projects—like the recent implementation in the UAE this past quarter and the newly signed agreements in the pipeline—we're seeing positive developments. We remain optimistic about the overall trajectory.

Q: Are Desert Control or its partners experiencing any difficulties with LNC units regarding stability, maintenance, or downtime? Or are they proving to be stable partners in making the earth greener?

A: The units have performed stably in the projects conducted so far. Moving forward, as we apply upgrade kits to these units for our partners, we will further enhance their value and capabilities. I'm also looking forward to discussions with our partners about the volumes of units they may require to meet increased demand as we continue to progress.

Q: Thank you, Ole. Can the market expect that the structure of future contracts will include all phases and a share of saved water costs, similar to the model recently announced for Berkeley Golf Course?

A: As I mentioned, our strategy moving forward will focus on a balanced approach. This includes royalties from partners, sales of production units and hardware kits, and on the client side, a mix of contract structures. We'll have full-scale projects paid upfront, staged projects with phased payments, and framework agreements committing to certain volumes over several years. Additionally, we'll have models like Berkeley's, which generate monthly recurring revenues through outcome-based business models. I believe the Berkeley model will be particularly attractive for a specific segment within the golf course industry. It might also be interesting in the future to explore how certain elements of this model could be adapted for other sectors. However, we're not fully committing to this specific model for all segments. Instead, we're taking a phased approach to bring these different models to market.

Q: The market seems to have a hard time understanding the commercial potential of the pilots in the U.S. Have you considered quantifying and visualizing what full-scale contracts could lead to in terms of figures in your quarterly presentations?

A: Providing such insights is definitely valuable for investors who are curious or uncertain. This question might have been submitted before we covered slide 10 in today's presentation, where we actually did touch on this. I'd also like to remind the audience that, in the past, the only guidance we provided was around the number of pilots we were targeting to secure each quarter—typically five pilots per quarter. That was the focus of our reporting and what we've shared in the pipeline slide, which also visualizes where these pilots are.

As I mentioned today, we're now reaching a stage where our pipeline has both matured and expanded to a volume that makes it difficult to provide meaningful insights using the same approach. Earlier this year, we announced that, starting in 2025, we'll transition to a different type of information sharing. Rather than focusing solely on the number of pilots, we'll start sharing more detailed information about pipeline development, the volumes it represents, and how it translates into revenue.

You'll still see a Q4 report that summarizes the year, as we've done in today's presentation. However, beginning with the Q1 2025 report, we'll provide a much more granular view. This will include identifying areas with the highest potential, higher conversion rates, and how these elements contribute to revenue as we move forward.

Q: Thank you, Ole. Regarding the Berkeley Golf Course agreement, does Desert Control earn income solely from a share of the water savings, or is there also a payment generated when LNC is applied to the course?

A: The Berkeley Country Club agreement operates as a pure outcome-based business model. As detailed in today's presentation, the revenue is generated through a share of the water savings achieved. Additionally, we're exploring bridge models that combine an upfront payment with a monthly recurring revenue structure. It's a very exciting area with more developments to come.

Q: Thank you, Ole. The next question: You have consistently expressed optimism about the future, yet the market doesn't seem to share the same enthusiasm. The lack of shareholder value may impact the company's attractiveness to investors. What steps does the company plan to take to address this gap and attract investors? Have you engaged with private, industrial, or institutional investors about larger investments?

A: There are significant complexities in being a very early-stage public startup company, especially before reaching the stage where you can consistently guide on EBITDA improvements and standard financial KPIs. I understand that shorter-term-focused investors may find the time it takes to convert our exciting opportunity pipeline into revenue to be frustrating—perhaps like watching grass grow. However, we enjoy watching grass grow, especially when we can do so with less water, fertilizer, and inputs while achieving higher yields.

Some of the challenges are also related to having a very fragmented shareholder base. While many shareholders are interested in being part of this journey, we don't currently have large institutional investors holding a significant share to drive our business forward. This, combined with low trading volumes, leads to volatility. However, when comparing our performance with other companies listed on Euronext Growth, I believe we've performed well. We've been very transparent and consistent in communicating our development.

I’m encouraged by the positive feedback from many of our existing shareholders regarding our progress. I hope that by being even more granular in communicating the tangible value of our pipeline and by fostering stronger engagement, we can attract greater interest from investors who want to be part of our journey.

Q: The next question is related to golf. Have you been in contact with the Professional Golf Association to explore the possibility of securing a larger contract with them?

A: Our commercial lead, Kevin Neal, who oversees sales and business development for this segment, has exceptional experience in the industry, unparalleled credibility, and an extensive network. In addition to driving sales contracts alongside Marty, Evan, and the U.S. team, he is also focused on building relationships with industry associations, water authorities, and key stakeholders relevant to our work. This ensures we align with both current and future water conservation incentives and gain access to organizations that set standards for golf course and turf management practices.

We’re actively working on all these fronts. Additionally, with the introduction of outcome-based business models, which we plan to explore further, we’re very confident that we’ll achieve several full-course deployments on a larger scale by 2025.

Q: The next question is related to agriculture. Which date farm is in phase 2? Is Griffin Ranch moving forward? Does the potential value of a full-scale implementation still align with the $200 million estimated by Arctic’s analysis, given reduced costs? Could you provide a ballpark estimate of potential earnings?

A: I won’t dive into forecasting single projects here. As mentioned, starting with our Q1 reporting next year, we’ll provide a much more granular view of the pipeline and details on specific must-win battles. On the date farming side, we’ve had clients who have moved directly to phase 2, as noted previously. We’re also having very positive conversations with them about how to drive this forward.

Q: In 2021, you ran multiple pilot projects, including a 200-hectare VIP property and projects with sweet corn and trees. These were intended to lead to negotiations for commercial contracts. What is the current status?

A: These projects refer to initiatives in the Middle East, and several of them remain in the active opportunity stage and have been handed over to our partners. We have not abandoned these opportunities; they have provided an important reference foundation for other projects won in the UAE. For example, they have contributed to deployments such as those with Masdar City and the larger real estate deployment completed in the past quarter.

Q: You have 22 agricultural pilots and 12 landscaping pilots in operation. Can you provide the split between the U.S., the Kingdom of Saudi Arabia, and the United Arab Emirates?

A: To clarify, as noted in the slide’s headline, the 42 projects mentioned—22 agricultural and 12 landscaping—are U.S.-only. These figures pertain exclusively to the U.S. pipeline, and any projects from the Middle East are in addition to what was presented here.

Q: Thank you, Ole. The next question: When do you expect to achieve operational results, and what is the potential for royalty payments over the next one to two years?

A: Regarding royalty payments, we anticipate steady growth from smaller-scale revenues. Additionally, the efforts to position LNC as an integrated part of regulatory frameworks for water conservation requirements are expected to yield substantial results in the UAE. We believe these initiatives will likely be replicated across the region. Our partner in Saudi Arabia is also conducting significant stakeholder engagement, comparable to what we’ve seen in the UAE.

We foresee that stage one to stage two deployments will continue to generate revenue alongside the commercial projects we've seen in landscaping programs and developments in the UAE. What’s particularly exciting about the Middle East is the nature of these massive, mega-opportunities, which are fluid in their timelines and development. Both of our partners are in discussions regarding significant government-driven and private sector opportunities. Once these opportunities move forward, they represent enormous potential.

For those following on social media, you may have seen that large landscaping contractors are enthusiastic about LNC and are collaborating with Desert Control's partners in the region to explore these opportunities. We frequently hear positive feedback from discussions with large government entities, highlighting how LNC's value proposition aligns closely with national priorities in the region.

While I'm very optimistic about the potential, I want to temper expectations by emphasizing that these developments won't happen overnight. I believe we'll see more meaningful contracts toward the end of this year and into the new year, which will further develop the market. My approach is to underpromise and overdeliver, but I'm optimistic about the region's potential and the growing capabilities of our partners.

Q: Thanks for the reply Ole. The next question: With the influx of government support for renewable companies, have you applied for or do you expect to receive any form of government or other support?

A: Yes, we do. These opportunities take time to develop and go through the necessary qualifications, but we are seeing positive developments. In California, for instance, we have identified several programs that we believe we are a strong match for, based on the positive feedback we've received. Many of these programs, however, are structured so that it's not the technology provider, such as Desert Control, that applies directly. Instead, the client qualifies for the support and can include a Desert Control project as part of the initiatives they propose for funding.

Additionally, in the Middle East, our partners are working to integrate LNC into similar frameworks. This could lead to several outcomes, such as incentives to help clients offset the costs of these investments, strong recommendations for using LNC, or, in the best-case scenario, making the implementation of technologies like ours mandatory for conducting irrigated activities.

Q: Thank you, Ole. We have many questions this time, so we'll try to address them all. Are the new production units something you plan to sell to partners? If so, what is the potential revenue from these sales?

A: Definitely. We aim to support our partners by selling production units and components to drive the business forward. As I mentioned, once we finalize the design of the new production unit, one of our priorities will be to provide upgrade kits to maximize the value of the existing fleet and enhance the return on the capital expenditure already deployed.

The next-generation production system offers significantly higher production capacity, lighter and more flexible units, lower operational costs, and fewer operators required per unit. These features make it very attractive to our partners. Additionally, these new units, compared to the previous full-cluster design, will be available at a significantly lower cost.

These improvements will benefit our partners, and we do expect hardware revenues to become a distinct line item in our revenue streams moving forward.

Q: I understand that clients do not pay upfront for investments but instead pay a fee over time. How much capital does Desert Control need to invest upfront into a project? Does this upfront investment limit growth by burdening working capital? And does Desert Control need to raise equity capital to implement projects, potentially diluting shareholders?

A: That's a multifaceted question, so let me break it down for clarity. The outcome-based business model, where we receive a cut of the value we create, is something we are piloting for the first time with Berkeley Country Club. We are exploring this model with at least a handful of golf courses in different shapes and formats. For example, it may include a combination model where there is an upfront payment that's not the full sales value of buying and implementing it outright. This approach incentivizes the client to pay part of the costs upfront while linking the remaining payments to the outcomes achieved.

It's important to note that this model is currently limited to a specific market segment. There might be opportunities to adapt elements of it for other sectors, but our general model in the agricultural market still relies on upfront payments. These can also be structured as staged deployments, where clients pay as they implement in phases, which is helpful for farmers with limited access to capital at individual locations.

Regarding whether Desert Control can handle a large share of outcome-based contracts, it depends on the scale. For example, taking on five or six contracts in the landscaping segment under this model would involve some upfront capital expenditure. However, the revenue generated from those clients in year one could fund the next group of five to six clients in year two, creating a self-funding model for this segment.

Currently, we have a prototype unit and a team capable of delivering for a set of clients. If the market demonstrates readiness for larger-scale adoption, we can scale up by adding more units and people. Naturally, this would require additional investment, but these would be exciting growth opportunities to further expand the business.

Q: Thank you, Ole. Last quarter, you guided for contracts in golf and larger strategic contracts in the Middle East by the end of the year. Given that this was a new golf course, does this guidance still hold?

A: Yes, as I mentioned, we anticipated securing our first full-scale deployment contract in the golf course segment before the end of the year, and we've achieved that now. There may be additional news before the year's end, but this was the key milestone we've been working toward, and it reinforces the strong confidence we expressed last quarter about closing the year with at least one full commitment in the golf segment.
Regarding larger-scale contracts in the Middle East, we've already secured a contract for an additional 1.8 million liters of LNC. While this isn't necessarily a mega contract, it is with a mega organization that has substantial potential to expand further into much larger deployments in the future.

Q: Do you have any updates on the pilot project with the World Food Program that you mentioned earlier?

A: Yes, we've taken a conservative approach with this project, which is why we didn't include it in our Q3 report. We want to ensure the contract is fully signed, with all details finalized, including the subcontracting structure and operational plans. The project is in a very challenging part of the world, which adds to its value for the United Nations and the World Food Program in executing such a program in the Middle East.

Once the contract is signed—which we expect will happen soon—we'll share more information. I'm very proud and excited that the WFP has identified Desert Control and LNC as a potential impact technology. It could play a critical role as a drought mitigation solution to prevent the devastating impacts of famine and hunger caused by such events. While we have high hopes for the project's outcomes, it's important to remember that working with governments and large NGOs involves long processes. These projects require robust structures to be ready for large-scale deployment in their initiatives.

Q: In the Q2 report, you mentioned additional partnerships, such as Syngenta, coming up in the pipeline. Can you elaborate on this?

A: We will announce significant partnerships as they develop. It's truly an honor and humbling to see large organizations expressing interest in exploring partnerships with us. However, we must acknowledge that we are not a large corporate entity with hundreds of people to drive such initiatives. Ensuring we don't stretch resources too thin is critical. Our focus is building success and traction with the partnerships we're initiating.

It's also important to work with these partners to identify not just soil health or innovation value, but also how these collaborations can translate into shared opportunities with clear economic benefits. Partnerships must have aligned interests that create increased value for both parties in a commercial setting. We're cautious about moving too quickly into additional partnerships before we establish a clear pathway for generating economic value from those already underway.

That said, I'm very honored and humbled by the recognition we've received and the interest from these leading organizations.

Q: Thank you, Ole. Next question: What is the status of the United Nations program and the peer-reviewed research article?

A: We've already touched on the United Nations program. Regarding the peer-reviewed article, it is still not through the peer review process. This is part of a five-year program, where the final report will serve as the foundation for the actual publication. However, we are making efforts to get a publication out earlier.

Peer-reviewed publications typically require multiple years of data sets to be completed and validated, so we're still working through that process. It's not yet in the pipeline for publication, but it remains a work in progress.

Q: Next question: What is the conversion rate of projects from phase one to phases two and three so far??

A: This was addressed earlier in today's presentation on the pipeline slide, where we showed the number of stage two projects. Of the 42 projects, we currently have four agricultural projects in stage two and two landscaping projects. Additionally, Berkeley has committed directly to stage three, and Limoneira has its first section of commercial deployment already in stage three.

Q: Thank you, Ole. Next question: Is there any news from the University of Arizona, or is the midterm report still a work in progress?

A: As mentioned in a previous question, this is still a work in progress.

Q: Which regulatory hurdles remain before LNC can be supported with grants in the U.S.? The United States Department of Agriculture (USDA) announced $7.7 billion in assistance for fiscal year 2025 to help agricultural and forestry producers adopt conservation practices. Will LNC be relevant here?

A: As mentioned earlier, there is definitely an opportunity for LNC to fit into several of these programs, even at the current stage. It's important to note that, in many cases, programs like those from the USDA are designed for growers, farmers, or landowners to apply for directly, not for technology providers like Desert Control. The applicants would document their use of technologies like LNC as part of their application.

Many of these programs approve projects on a case-by-case basis. However, we are also exploring opportunities for LNC to become a pre-approved technology within certain programs that either recommend or mandate specific conservation technologies. These longer-term initiatives are on our radar for the U.S., and similar efforts are being actively pursued by our partners in the Middle East.

Q: Thank you, Ole. The next question: Will Australia be part of your plans for 2025 and 2026?

A: Australia is a huge market with many sandy areas, particularly in the western region, and increasing water costs, making it a very interesting future opportunity. It is part of our expansion strategy, but we want to ensure we approach the market in a robust and well-prepared manner. Finding the right go-to-market strategy and partners will be essential for success.

While Australia is definitely on our roadmap, I wouldn't classify it as a 2025 priority. We still have a strong foundation to build on in the U.S. and the Middle East, and it's important not to overextend our efforts. Our focus remains on achieving success and building momentum in our current markets before expanding further. That said, there are preliminary steps that we will likely begin much earlier to prepare for entry into the Australian market.

Q: Thank you, Ole. Next question: You have a great number of incoming clients and significant partnerships coming up. How are you planning to handle this growth?

A: We're not overcapitalized to immediately expand our teams and organization dramatically, so we need to maintain a well-balanced approach. One advantage of our business model is that it's relatively capital-light compared to many others. Unlike industries that require years to build factories and secure permits, we can quickly bring production capacity online—typically within months of making a decision.

This flexibility allows us to time capital expenditures based on certainty in conversion rates and signed contracts. It's also a key advantage recognized by our partners in the Middle East. Once capacity is deployed, we'll need to ramp up with people, teams, and the necessary support structures.

At some point, we'll face a decision: should we continue with a slow, gradual approach to financing growth through operations, or should we pursue growth investments to scale more rapidly? Given the size of the market, there's a strong case for fueling growth investments when we reach the appropriate stage to build capacity and a substantial organization at scale.

Q: The United Arab Emirates government has a national strategy to combat desertification. Are your partners involved in their initiatives?

A: Yes, they are involved at multiple levels. This includes follow-up initiatives from COP28, which was hosted in the UAE, as well as the upcoming desertification COP event in Riyadh, Saudi Arabia. Both of our partners are actively engaged in these efforts. I'm also looking forward to supporting them and personally meeting with key influencers and stakeholders at these events. So, yes, our partners are very much engaged in these initiatives.

Q: The awareness and attention for LNC is growing. So are the number of pilots, partnerships, and contracts. It appears to be a rather urgent need for a dedicated IR resource. Is that on the agenda for the company?

A: As Desert Control continues to grow and gain attention, we are aware of the increasing need to enhance investor relations and communication. While we currently manage this through our existing team, we are evaluating the potential need for a dedicated IR resource to ensure we can effectively address the growing interest and engagement from investors. It is something that is on our radar as we continue scaling and expanding our operations.

Q: Was it overly ambitious to aim for larger contracts as early as 2021, considering the time it took to produce and implement LNC at that stage?

A: In 2021, we were not aiming for larger contracts. At that time, we had only developed the initial MVP of our production units and were in the process of building the first-generation clusters. Our focus was on positioning for pilots and small-scale deliveries with clients and projects that had the potential to evolve into large-scale implementations over time. This approach was deliberate, as processes for developing and scaling novel agtech innovations inherently require time, particularly when dealing with validation cycles and building trust in new technologies. This early groundwork has been critical in creating opportunities for the larger-scale projects we are working toward today.

Q: Is the 2 billion liters of LNC only for the USA? Can you comment on the UAE/Saudi pipeline?

A: The 2 billion liters of Liquid Natural Clay (LNC) mentioned pertain only to the United States, and refers to the potential demand of all current engagements and advanced prospects (total acreage of all these clients combined at 100% conversion). In the Middle East, particularly in the UAE and Saudi Arabia, we are actively developing our pipeline through strategic partnerships.

Q: Please elaborate on Total Available Acreage vs Total Serviceable Acreage.

A: The 2 billion liters of potential demand reflects acreage that is both available and serviceable by LNC technology. However, the economic feasibility and timing for large-scale deployments will vary depending on the type of crop and specific conditions.

For high-value crops, such as permanent crops or specialty produce, the investment in LNC can often be justified even in regions where water costs are relatively low as discussed in with the date farm example. This is particularly true when multi-season yield validation demonstrates significant economic benefits, including improved yield, reduced input costs, and better soil health. In contrast, lower-value broad-acre crops, like fodder or staple grains, may require higher water costs or additional incentives to fully realize the economic potential for large-scale deployment.

The balance between available acreage and serviceable acreage is not just about technical feasibility but also about aligning the economics of LNC with the unique needs and priorities of each crop type, regional water costs, and market dynamics. Our focus remains on targeting entry applications where LNC provides the strongest financial and environmental impact, ensuring sustainable growth while building a foundation for broader adoption over time.

Q: When does Desert Control plan to be cash flow positive from operations?

A: Desert Control does not currently provide specific guidance on financial metrics like EBITDA or the timeline for achieving cash flow positive operations. However, as shared in our presentation, we are making significant progress and anticipate a strong 2025.

In 2024, we have already doubled LNC volume deployed, revenue, and total pipeline value year-to-date compared to 2023, and we are well on track to more than doubling these figures again in 2025. For the coming year, we anticipate continued growth in royalty revenues from the Middle East and revenue from sales of units and hardware to partners. In the U.S., our focus will be on upfront LNC revenues from pilots and projects, as well as establishing monthly recurring revenues through outcome-based business models. This includes our target of having several complete golf courses fully deployed and generating revenue in 2025.

These developments, combined with an increasing number of stage 2 agricultural deployments, will further build the foundation for large-scale agricultural projects, which are expected to contribute meaningfully to cash flow in 2026. For now, our focus remains on further strengthening the foundation of our technology, extending the value and reach through our R&D programs, and continue building momentum across agriculture, landscaping, U.S. and Middle East to drive sustainable growth.

Q: How often will soil need to be treated with LNC to maintain its effectiveness?

A: LNC-treated soil may require a top-up treatment after 3-5 years to maintain its effectiveness. The exact timing depends on the type of soil, the crop, and the land management practices in place.

For soils that are frequently and heavily tilled, the interval may be shorter, as tilling can disrupt the soil structure and reduce the long-term benefits of LNC. Conversely, for permanent crops, undisturbed soil, and areas utilizing regenerative agriculture practices, the treatment may last longer. In turf and landscaping applications, such as golf courses, a top-up is often needed after about three years. This is due to aerification and topdressing practices, where significant amounts of untreated fresh sand are introduced into the turf, necessitating a light top-up to maintain performance.

Q: Will soil treated with LNC require yearly treatment?

A: No, soil treated with LNC does not require yearly treatment. Frequency of top-ups etc. are covered in the previous question.

Q: How will you fund the working capital required for the MRR model?

A: The working capital required for the MRR (Monthly Recurring Revenue) model is carefully managed to align with our phased approach to scaling. For initial deployments, we rely on existing resources and production capacity to support these projects. As the model gains traction and demonstrates success, revenue generated from the initial MRR contracts will help fund subsequent deployments.

The focus for the MRR model is on high-value opportunities, such as golf courses and other sectors where water costs and savings justify the investment, to optimize working capital use while building momentum for broader adoption. Additionally, we remain open to exploring capital opportunities to accelerate growth, particularly as our pipeline matures and larger volumes of committed contracts come into place.

Q: How will Desert Control finance the scaling of new projects in 2025 and beyond?

A: Desert Control's approach to financing the scaling of new projects in 2025 and beyond is rooted in aligning growth with operational and financial sustainability. We anticipate developing revenue from multiple streams, including royalties from the Middle East, sales of units and hardware to partners, upfront payments from pilots and projects, and monthly recurring revenues (MRR) from outcome-based business models.

For larger-scale scaling to deliver on actual opportunities that will require significant investment in production capacity and operation capabilities, we may explore additional capital opportunities. These could include strategic investments, partnerships, or growth capital raises that are aligned with the maturity of our pipeline and the increasing volume of committed contracts.

Our phased approach ensures that scaling is tied to tangible market opportunities, allowing us to balance investments with demonstrated demand and market readiness.

Q: Are there discussions with major players about investments in Desert Control?

A: Desert Control engages in market-standard investor relations activities, maintaining dialogues with various stakeholders as part of customary practices. Our unique technology is highly relevant for many including the ESG space, the agtech industry, etc, which naturally attracts interest from various sectors. While we cannot comment on specific discussions, we remain focused on building strong relationships and exploring opportunities that align with our mission and long-term strategy.

Q: Given the current market valuation, are you concerned about the company being acquired at a bargain price?

A: As a publicly listed company, Desert Control is committed to acting in the best interests of the company and its shareholders. Our Board of Directors regularly reviews strategic options to ensure that any potential actions align with our mission and deliver long-term value. While we cannot comment on hypothetical scenarios, our focus remains on executing our strategic plan, scaling our operations, and creating sustainable growth. We are dedicated to building a strong and resilient company that addresses critical challenges in agriculture and environmental conservation.
