Annual Report 2024

Report overview

ABOUT US

An introduction to Desert Control's mission, business model, and strategic focus, highlighting how our patented Liquid Natural Clay (LNC) technology addresses desertification, soil degradation, and water scarcity while creating both environmental and economic value. It provides insights into the Company's leadership, market presence, and long-term strategy, along with an overview of governance and risk management principles. This chapter sets the foundation for understanding Desert Control's journey, operations, and future direction.

OUR PERFORMANCE

An overview of Desert Control's 2024 achievements in operations and financial performance. Highlights include surging LNC deployment volumes, breakthroughs in technology, and a strengthened market presence that set the stage for accelerated growth in 2025.

SUSTAINABILITY

A focused look at our commitment to responsible environmental, social and governance principles. We detail how LNC solutions reduce water consumption and restore ecosystems and share our progress toward integrating ESG principles—building toward a voluntary sustainability report in 2025.

FINANCIAL STATEMENTS

Consolidated financials for Desert Control Group and the parent Company, Desert Control AS. Prepared under IFRS, these statements provide transparent insight into our revenues, cash position, and overall financial health.

ADDITIONAL INFORMATION

This section provides supplementary disclosures that complement the main report. It includes the Statement of the Board of Directors and CEO of Desert Control AS, the independent auditor's assessment of the 2024 financial statements, and a cautionary statement on forward-looking information.

Contents *

* The Annual Report as defined under the Norwegian Accounting Act includes the following sections: the Board of Directors' Report (Our business, Our markets, Corporate governance, Risk management, Board of Directors, 2024 Highlights, Financial performance, Year in review, Outlook, Forward-looking statements, People and work environment), the Statement of the Board of Directors and CEO of Desert Control AS, the Consolidated Financial Statements of Desert Control Group, the Financial Statements of Desert Control AS, and the Auditor's Report. Other sections in this document are not part of the statutory annual report and are referred to as other information.

About us

CEO message

2024 marks a defining moment in Desert Control's journey as we transition from a pioneering innovator to commercial scaling. This year, we reached an inflection point where years of investment in technology development, market validation, and strategic positioning are now translating into tangible business results. The foundation is set, and we are prepared to unlock exponential growth in 2025 and beyond.

With breakthrough advancements, we have removed technological barriers to scalability, ensuring that Liquid Natural Clay (LNC) is proven and ready for high-volume adoption at a competitive cost. The convergence of increasing water scarcity, regulatory shifts, and economic imperatives for soil and water conservation accelerates demand, strengthening our value proposition and financial returns for customers.

As we enter 2025, we leverage our momentum to drive larger-scale adoption, forge strategic partnerships, and expand our commercial footprint. The accelerating pace of contract signings and deepening engagements within key sectors reinforce our confidence that Desert Control is positioned to become a transformative force in sustainable land and water management.

Our commitment remains unwavering: delivering solutions that create economic and environmental value while ensuring a sustainable and scalable operating model. With the support of our partners, shareholders, and stakeholders, we are building a future for soil and water conservation that drives long-term growth and impact on a global scale.

Sincerely,

Ole Kristian Sivertsen
Chief Executive Officer

Chair’s corner

As we reflect on 2024, it is evident that we are navigating a world of increasing complexity and uncertainty. Geopolitical tensions, economic volatility, and accelerating environmental challenges define the global landscape in which businesses and societies must adapt. Yet, amid this, one fundamental truth remains clear: securing our planet’s most vital resources—soil and water—is an environmental necessity and an economic and humanitarian imperative.

Desert Control stands at the intersection of innovation and impact. As I assumed the role of Chair in October 2024, I was honored to join a company whose vision is not only commercially compelling but essential for building resilience in an unpredictable world. Water scarcity and soil degradation continue escalating, creating challenges and opportunities. Our technology provides a scalable, cost-effective solution that enables industries, governments, and communities to transition toward a more sustainable and economically viable future.

What inspires me most is how Desert Control continues strengthening the financial and investment case for its solutions. The ability to drive superior economic returns for customers while contributing to sustainability is a rare and powerful combination. The acceleration of market adoption in 2024 underscores the increasing recognition of this value by industries, policymakers, and investors actively seeking solutions that balance profitability with long-term resilience.

Even more profoundly, the Company's recent engagement with the United Nations and the World Food Programme highlights the humanitarian impact of our innovation. Ensuring access to arable land and water security is not just a necessity, it is one of the defining challenges of our time. Desert Control’s involvement in these global initiatives underscores the far-reaching significance of our work. This is a responsibility we do not take lightly, and I could not be prouder of the team’s dedication to making a meaningful difference where it matters most.

As I take on the role of Chair at Desert Control, I want to express my gratitude to past Chair Knut Nesse for his leadership and contributions during his tenure. I also extend my appreciation to the board, our leadership team, and every member of the Desert Control family for their unwavering commitment to our mission. Together, we are building a company and shaping a more resilient and sustainable future.

Sincerely,

Lars Raunholt Eismark
Executive Chairman

About Desert Control

Desert Control develops innovative solutions to enhance soil health, conserve water, and promote ecosystem resilience. The Company's mission is to combat desertification, soil degradation, and water scarcity. Our patented LNC transforms sandy, fast-draining soils to retain water and nutrients, improving soil health, crop yields, and ecosystem vitality while conserving water. Desert Control provides customized solutions to strengthen sustainability, profitability, and prosperity for agriculture, forests, and green landscapes. In collaboration with partners and clients, we aim to preserve natural resources, restore biodiversity, enhance food security, and ensure a climate-resilient future.

For more information,
visit https://www.desertcontrol.com

Our history

The Company was founded with a bold vision to combat desertification and water scarcity through innovative soil restoration. Pioneered by our co-founder and inventor, Kristian P. Olesen, who first conceived the LNC technology in 2005, the Company has grown from early-stage pilot projects into actively operating in the U.S. and through partners in the Middle East with scalable technology for sustainable land and water management. Over the years, we have continuously refined our technology, expanded our market reach, and forged lasting partnerships. Today, our journey reflects decades of dedicated research, innovation, and a commitment to transforming arid landscapes into resilient, productive ecosystems.

Company journey

2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024

2017 – COMPANY INCORPORATION

Desert Control was incorporated to develop scalable solutions based on its patented nanotechnology to address global challenges related to water scarcity, agriculture, and land productivity.

2019 – RAISED ≈ MNOK 42,5 (MUSD 5)

- The company secured its first major investment in Dec 2019, raising $5 million to fund the initial Minimum Viable Product (MVP) development and expand the engineering and R&D team.

2020 – BUILT MVP

- Successfully built MVP for the LNC production system.
- Independent validation with the International Center of Biosaline Agriculture (ICBA).

2021 – RAISED ≈ MNOK 200 (MUSD 20)

- Raised capital to build the first industrial-grade prototypes, expand operations, and fund pilot programs in the U.S.
- Listed on Euronext Growth in April 2021.

2022 – BUILT PROTOTYPES

- Completed three clusters of industrial-grade prototypes.
- Established operations in U.S.
- Initiated validation program with the University of Arizona.
- Launched the first U.S. pilots.
- ≈1 Million liters of LNC produced in the U.S.

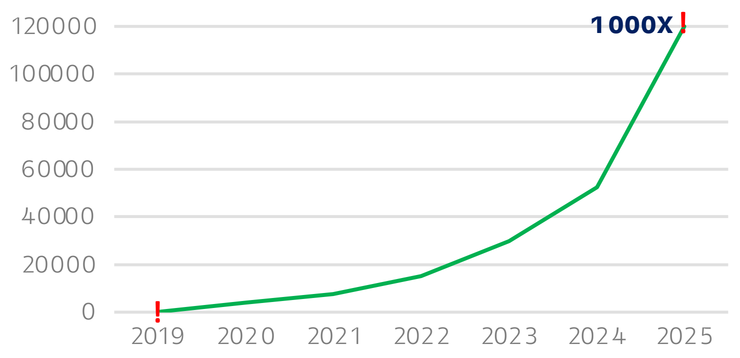
2023 – SECURED ≈ MNOK 115 (MUSD 10)

- Launched a licensed operator model for the Middle East and streamlined operations.
- Secured ≈$10M (capital raise and asset sales).
- Received regulatory approvals in U.S. and UAE.
- Total U.S. project portfolio of 24 projects.
- ≈2 Million liters of LNC produced in the U.S.

2024 – ACCELERATING COMMERCIALIZATION

- Achieved scalable prototype.
- Unlocked application via irrigation systems.
- Increased commercial traction in the United States and Middle East.
- Reached 44 projects in the U.S.
- ≈5,2 Million liters of LNC produced in the U.S. (>2X revenue).

PRODUCTION CAPACITY DEVELOPMENT



Our business

Desert Control is a technology Company in sustainable land and water management, providing innovative solutions to combat desertification, soil degradation, and water scarcity. Our patented LNC technology transforms degraded, fast-draining soil into water-retentive, fertile landscapes, improving soil health, enhancing crop productivity, and significantly reducing water consumption.

We work closely with strategic partners and clients across key markets, including the Middle East and the United States, to implement scalable solutions that meet the urgent needs of agriculture, landscaping, and land restoration.

Our business model integrates multiple revenue streams, including direct project-based deliveries, licensing agreements, hardware sales, and periodic maintenance services. Additionally, we are expanding digital and subscription-based offerings focused on soil health monitoring, water management optimization, and precision agriculture. These initiatives align with the increasing regulatory focus on water conservation incentives and sustainable land management policies across our key markets.

In 2024, Desert Control strengthened its operational and commercial strategy to accelerate adoption in key markets. In the Middle East, we have fully transitioned to a capital-light licensing model, partnering with established entities to scale LNC adoption efficiently in a region where government-backed sustainability programs drive demand. In contrast, our U.S. operations continue under a direct service-based model, enabling turnkey LNC treatment projects, particularly in high-water-cost regions like California and Arizona.

The production and application of LNC remain highly customer-centric, with mobile production units deployed on-site and integration with existing irrigation systems to ensure seamless application and cost efficiency. LNC's long-lasting impact, with treatments lasting 3-5 years, further strengthens our value proposition across agriculture, forestry, and landscaping.

Desert Control AS is listed on Euronext Growth Oslo under the ticker DSRT and is headquartered in Sandnes, Norway. Our mission remains unchanged—to provide scalable, sustainable solutions that protect natural resources, enhance ecosystem resilience, and support a more water-secure future for communities worldwide.

At its core, Desert Control is driven by a commitment to preserve natural resources and support resilient ecosystems assuring that our innovative solutions contribute to a more sustainable and water-secure future for communities around the globe.

Turnkey projects
$/acre or $/tree – project pricing dependent on area & contract size

Service model
Pay-As-You-Save (PAYS) outcome-based business model (MRR). Ongoing maintenance, top-ups & service

Licensing model
Indirect sales through licensed operators under royalty-based agreements

Digital services
Recurring revenue from soil health monitoring, water management, and precision agriculture tools. Dashboard and reporting services, monitoring & data analytics

Hardware sales
Sales of mobile production units, hardware components, and spare parts to licensed operator partners

Our markets

Desert Control operates globally in the market for soil and water conservation with its innovation LNC, focusing primarily on agriculture, landscaping, and land restoration. Our key geographic markets include the Middle East and the United States, with emerging opportunities in additional regions affected by desertification, soil degradation, and water scarcity.

We create significant value through our LNC solutions by offering cost savings on water and fertilizer, increased crop yields, and enhanced soil health for long-term sustainability. For agriculture and landscaping users, LNC faciliates compliance with evolving water regulations, enabling continued operations for golf courses, sports fields, parks, and resorts. Regulatory incentives, environmental commitments, and economic benefits are increasingly driving the adoption of climate-smart agriculture practices and sustainable land management.

Recognized global challenges include desertification and soil degradation, affecting over 110 countries and 1.3 billion people. The United Nations Convention to Combat Desertification warns that the world has been losing more than 100 million hectares of healthy and productive land each year. Water scarcity continues escalating, with a projected 40% global deficit by 2030. Over one-third of the world's population is expected to experience severe water stress, and already during 2025, 1.8 billion people could face absolute water scarcity. These challenges create a growing demand for sustainable soil and water conservation solutions like LNC.

$490B

Annual cost of soil and land degradation world-wide

$126B

USD spent globally to address drought-relatad events

CO_2

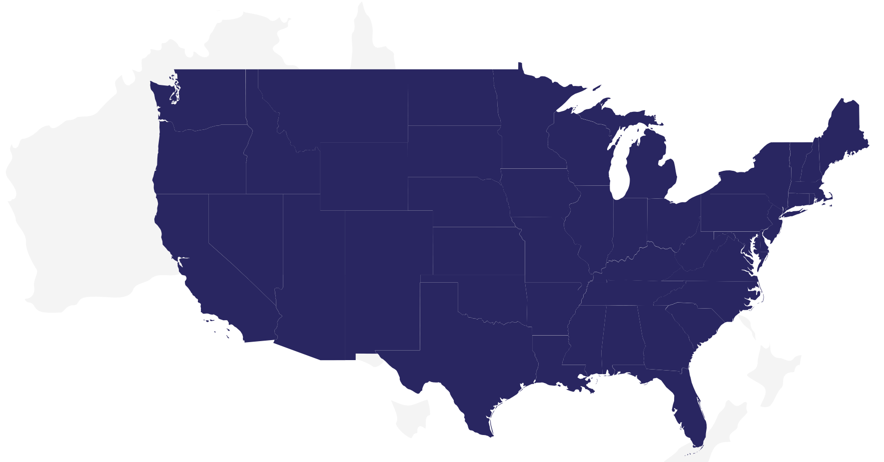
Additional growth driven by carbon credits:

LNC enhances sandy soil's capabillity to sequester & store CO2

United States market overview

Desert Control Americas Inc. strategically operates within the Sun Belt region, including California, Arizona, Nevada, New Mexico, and Texas. This region faces severe environmental challenges, such as sandy and arid soil conditions, extreme drought cycles, and increasing regulatory pressures on water consumption.

Approximately 30% of the Sun Belt region's land is classified as arid or semi-arid, with an estimated 40% at risk of desertification. Soil erosion due to traditional farming practices and urban expansion has led to significant land degradation, exacerbating water scarcity issues.



$2.5B
Global soil conditioner market (2025)

$6B
Global soil amendment market (2027)

$8.7B
Current regenerative agriculter market size

+14% CAGR
Projected for regenerative agriculture market

Desert Control is dedicated to mitigating the challenges of water scarcity and desertification by deploying innovative soil and water conservation technologies. Our solutions help restore soil health, reduce water consumption, and improve agricultural and landscaping sustainability. The depletion of key water sources, such as the Colorado River and the Ogallala Aquifer, highlights the urgent need for conservation efforts, positioning LNC as a high-value solution for water efficiency and soil resilience across the region.

The U.S. golf and landscaping sector presents a significant early commercial market for LNC, with approximately 16,000 golf courses in the U.S. In California alone, there are 950 golf courses covering 150,000 acres of irrigated turf, forming part of a 4 million-acre landscaping market in the state, alongside 24 million acres of agricultural land. The highest near-term focus is on high-water-cost regions where LNC delivers the strongest financial return on investment. In agriculture, the permanent crops sector (dates, citrus, vines, nuts, avocados, etc.) remains a priority, as LNC enhances soil health and water retention, increasing yields and the value of agricultural land, supporting long-term productivity and value creation.

Regulatory shifts and increasing water costs are strengthening the economic case for LNC adoption, making 2025 a critical year for market expansion. The expiration of Colorado River water rights in 2026 is expected to significantly impact Arizona, California, and Nevada, and driving demand for water conservation solutions.

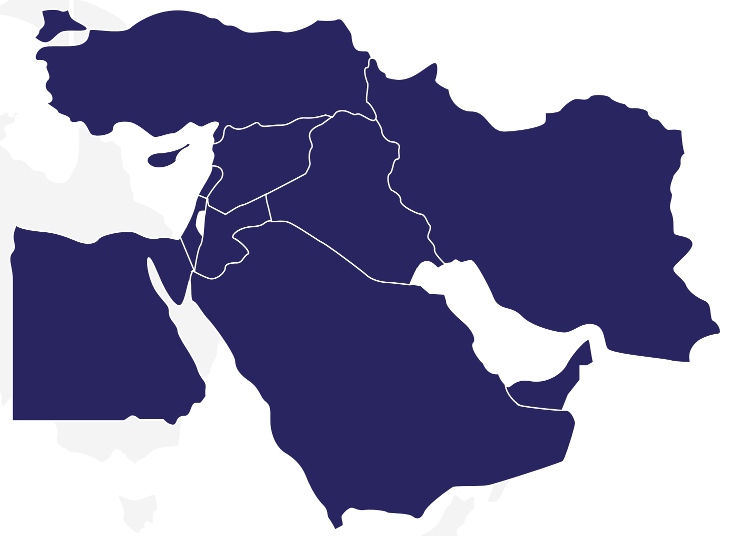
Middle East market

Desert Control has fully transitioned to a licensed operator model in the Middle East to enhance efficiency and local engagement. This transition was implemented by the end of 2023, with key technical personnel and operational capabilities transferred to partner entities in the United Arab Emirates and Saudi Arabia. This shift enables Desert Control to scale LNC adoption through local expertise and infrastructure while reducing direct operational costs.

In the UAE, Soyl, owned by Mawarid Holding, has taken over operations as the licensed partner, replacing Desert Control Middle East (DCME). This transition, completed in 2023, aligns with the Company's shift towards a capital-light licensing model. With increasing government-backed sustainability programs and heightened demand for water-efficient solutions, 2025 is expected to be a year of steady revenue growth in the region.

In Saudi Arabia, our licensed partner, Saudi Desert Control, has begun early-stage deployments following the arrival of the first LNC production units. This marks a significant milestone for LNC adoption in the region's agriculture and land restoration initiatives. The agreement with Estidama, the Saudi National Center for Sustainable Agriculture, further reinforces LNC's role in advancing the Kingdom's sustainability and water conservation goals.

The global market opportunity for soil and water conservation solutions exceeds $100 billion, with 40% of the world's soil degraded and over 70% of freshwater used for agriculture. Rising water costs and regulatory pressures are accelerating demand for sustainable solutions. As regulatory frameworks emphasize water conservation and soil restoration, LNC is well-positioned as a critical solution to these challenges while creating long-term economic value for our customers.



Our strategy

Think big

We always keep the bigger picture in mind, ensuring that our work aligns with our mission.

Start small

We focus on narrow scopes to establish strong foundations before expanding our reach.

Keep it simple

Simplicity is key to achieving exponential scalability, allowing us to operate efficiently and cost-effectively while preparing for future growth.

Design to scale exponentially

We prioritize scalable solutions to address urgent climate change issues effectively.

Act fast

Urgency and quick decision-making are vital in our rapidly changing world.

Our core values

Leadership

Inspirational pro-active execution

Growth-mindset

Curious and solution-oriented

Innovation

Challenge status-quo | create value

Integrity

Keep promises | grow strong relationships

Contribution

Desire to make everything better

Diversity

Inclusive | open-minded | respectful

Corporate governance

Desert Control is committed to maintaining high standards of corporate governance, ensuring transparency, accountability, and the protection of shareholder interests. The Company operates under Norwegian corporate law and adheres to the rules and disclosure requirements of Euronext Growth Oslo, where it has been listed since April 14, 2021, under the ticker DSRT. Following a successful initial public offering (IPO) and private placement of NOK 200 million, the Articles of Association were updated to reflect the registration of shares in VPS (Verdipapirsentralen, the Norwegian Central Securities Depository) and the current share capital structure. Our governance framework aligns with our Code of Conduct and emphasizes equal treatment of all shareholders through clear and regulated communication practices overseen by the Board of Directors.

The Board currently holds three key authorizations, each valid for one year and subject to annual renewal. The first allows for the issuance of up to 5% of the share capital for the Company's employee incentive scheme, the second permits the issuance of up to 10% of the share capital to secure financing for the Company's development, and the third allows the Company to acquire up to 5% of its own shares. The latest resolution was approved by the General Meeting on 20 June 2024.

The Board of Directors consists of five members, including three men and two women. Two board members represent major shareholders, and three hold shares in the Company.

A Remuneration Committee was established in 2024, chaired by James E. Thomas, with Roar Husby and Marit Røed Ødegaard as members. The committee is responsible for advising the Board on executive compensation policies, performance-based incentives, and remuneration structures. The Company has not established a Nomination Committee for Board elections for proposing candidates for election to the Board.

A Board self-assessment and closed session evaluation was conducted during the Annual Strategy Meeting, focusing on board composition, performance, and governance effectiveness.

The Board reaffirmed strict adherence to insider trading regulations, including blackout periods around financial disclosures. Board remuneration remains subject to approval by the General Assembly, and the CEO's compensation is determined by the Board of Directors, with input from the Remuneration Committee.

Norwegian Transparency Act

An account of our due diligence assessments carried out in accordance with the Norwegian Transparency Act (in force from 1 July 2022) is published on https://desertcontrol.com/sustainability/ transparency-act-report.

Board insurance

The Company has established a global Director and Officer liability insurance scheme. The policy has a limit of liability of NOK 25 million.

Risk management

At Desert Control, our risk management framework is integral to our mission of sustainable land and water management. We continuously evaluate and address potential risks to ensure our operations remain resilient as we scale our water conservation solutions.

Commercial & market risk

Desert Control's LNC technology is designed to reduce water consumption and restore soil health, addressing challenges like desertification. While pilot projects have confirmed their benefits, scaling to large commercial contracts is ongoing, and adoption rates depend on customer awareness, cost considerations, and industry acceptance. Commercial risk remains elevated until broader market adoption is achieved. Additionally, foreign exchange fluctuations could impact financial performance as we expand internationally.

Regulatory and policy risk

The regulatory landscape in both the United States and the Middle East presents opportunities and risks for Desert Control. In the U.S., water conservation incentives such as rebates for golf courses support LNC adoption, but changes in government funding or policy could impact demand. Additionally, fallowing subsidies for farmers may reduce incentives to invest in water-saving technologies, as water costs remain low in some regions. State and federal regulations on irrigation, water rights, and conservation policies continue to evolve, potentially affecting market conditions.

In the Middle East, Desert Control relies on government-driven sustainability programs and licensing agreements, which are subject to policy shifts. Changes in local business regulations, government funding, or trade policies could influence market expansion. Geopolitical factors and currency fluctuations may also impact operations in the region.

While potential U.S. tariff escalations could disrupt supply chains, Desert Control is well-positioned, as 100% of raw materials are domestically sourced, and LNC production units are manufactured in the U.S.

Technology validation & performance risk

The effectiveness LNC has been demonstrated in pilot projects, but long-term performance across diverse soil types, climates, and large-scale applications is still being validated. Adoption may depend on further scientific studies, regulatory approvals, and customer confidence in LNC's sustained impact on water retention and soil health. Any variations in expected performance could affect market acceptance and commercial scalability.

Credit risk

We manage credit risk by engaging exclusively with well-established banks and financial institutions. This conservative approach minimizes potential credit losses as we increase our customer base and secure larger contracts, ensuring that our receivables and cash flows remain reliable.

Liquidity risk

Maintaining sufficient liquidity is a key priority for Desert Control. As of 31 December 2024, the Company held a cash balance of NOK 64 million and had no interest-bearing debt.

Liquidity is expected to cover planned operations into Q4 2025, based on current forecasts excluding new revenue streams.

The Board continuously monitors liquidity through updated cash flow projections and stress testing. Proactive measures to extend the financial runway include exploring strategic partnerships, evaluating additional capital sources, and pursuing cost optimization initiatives.

These actions are intended to ensure long-term financial resilience and flexibility to execute the Company's growth strategy.

While the Company maintains liquidity in the short term, there is a material uncertainty related to financing needs beyond 4Q 2025.

Financial risk management:

Our Board is dedicated to implementing a proactive, strategic framework that aligns financial risk management with our environmental goals. By balancing market, credit, and liquidity risks, we position Desert Control to navigate uncertainties effectively while capitalizing on opportunities that drive both financial and environmental sustainability.

In summary, while commercial risk is inherent as we move from pilots to large-scale contracts, our comprehensive risk management strategy supports our growth and long-term success in delivering sustainable water conservation and soil restoration solutions.

Board of Directors

Maryne Lemvik – Board member

Maryne Lemvik is an international business leader with 30 years of experience, including 20 years of P&L responsibility. She is the CEO of Skanem Group, a global packaging company, and previously spent over two decades with Alfa Laval Group, serving process industries worldwide. Lemvik specializes in business growth, leadership development, and change management. She holds an MSc in Chemical Engineering from ENSIGC Toulouse, France, and has completed executive education at INSEAD, France, and Hult Ashridge, UK. Her extensive experience in industrial sectors contributes to Desert Control's strategic direction.

Marit Røed Ødegaard – Board member

Marit Røed Ødegaard has more than 30 years of international experience in the chemicals and fertilizer industries, holding key roles in finance, business development, corporate strategy, sales, marketing, and human resources. She has served on multiple public company boards and advisory institutions. Ødegaard holds an MSc in Business from the Norwegian School of Economics (NHH) and an MBA from London Business School and Keio University, Tokyo. Her industry expertise and strategic leadership support Desert Control's growth and operational excellence.

Lars Raunholt Eismark – Chair

Lars Raunholt Eismark has extensive experience across strategy consulting, transformation advisory and transaction services, having served as Senior Partner and in global management positions at A.T. Kearney and in leadership roles at Andersen Consulting and Radiometer. He has also hold board and advisory positions with organizations such as World Wildlife Fund (WWF), twoday AS, Uhrenholt A/S and is serving as Sr. Advisor to global private equity companies and associated portfolio companies. His strategic expertise plays a key role in shaping Desert Control's corporate and equity strategy

James Thomas – Board member

James Thomas brings over 30 years of experience in finance and investment, having worked across multiple industries. He began his career at Goldman Sachs in London and is now the majority owner of Ithaca Marine. He has served on over 20 company boards, overseeing IPOs, stock issuances, and M&A transactions. Through Woods End Interests LLC, he was the largest participant in Desert Control's 2023 Private Placement, holding 9.94% ownership in the company. His expertise in capital markets and corporate finance strengthens Desert Control's financial strategy.

Roar Husby – Board member

Roar Husby is an expert in financial management, public markets, and investment strategies. A graduate of The London School of Economics and Political Science (LSE), he has served as CFO of SalMar ASA, one of the world's largest salmon farming companies, and has extensive experience in direct investment management, value creation, and exit processes. Husby is currently with LIN AS, a top-10 shareholder in Desert Control, where he focuses on financial strategy and market growth. His deep understanding of corporate finance and capital markets supports Desert Control's expansion and shareholder value creation.

Our performance

2024 highlights

Accelerating market adoption & commercial traction

- LNC deployment volumes and revenues more than doubled compared to 2023, solidifying the foundation for a projected tenfold increase in contracted revenues in 2025.
- First full-scale golf course implementations secured under the Pay-As-You-Save (PAYS) model with Berkeley and Woodland Hills Country Clubs.
- Oasis Date, with 5000 acres of date farming operations, moves forward to commercial roll-out for the first 160-acre ranch in the first quarter of 2025.
- Significant growth of licensing revenues in the fourth quarter, demonstrating the success of the indirect go-to-market model in the Middle East.

Breakthrough technological advancements

- The next-generation LNC production system prototype achieved 120,000 liters per hour capacity, enabling large-scale, cost-effective deployments.
- Full integration with irrigation systems eliminates manual application constraints and reduces operational costs.
- Advanced formulations now allow LNC production using locally available water sources with higher salinity, improving scalability in diverse regions.
- Expanded applicability beyond sandy soils, significantly increasing the addressable market.

Strategic partnerships & global recognition

- Selected by the United Nations World Food Programme (WFP) Innovation Accelerator, positioning LNC for large-scale land restoration projects.
- Stronger engagement with regulatory bodies and industry leaders to align with evolving water conservation policies.
- Saudi Desert Control signed a landmark agreement with Estidama, integrating LNC into the Kingdom’s national sustainability initiatives.

Financial & business model strengthening

- Transition to scalable revenue streams, combining licensing, direct sales, and recurring revenue from PAYS contracts.
- Improved cost efficiency and operational resilience, paving the way for sustainable long-term growth.
- Secured contracts and expanding pipeline position Desert Control for a projected tenfold increase in contracted revenues in 2025.

Macro drivers fueling growth

- Rising global water costs and stricter regulatory mandates accelerate demand for LNC.
- COP16 commitments reinforce the urgent need for scalable desertification and water conservation solutions.
- Economic pressures on agriculture and urban landscaping sectors strengthen financial incentives for LNC adoption.

2024 has been transformational, setting the foundation for large-scale expansion and long-term value creation. With momentum accelerating, Desert Control enters 2025, positioned for breakthrough growth.

Financial performance

NOK million	YTD	
	2024	**2023**
LNC Revenue	1,88	0,89
Licensing Royalties	0,29	-
Other Income	0,01	17,24
Total revenue and other income	**2,18**	**18,13**
EBITDA	**-58,18**	**-60,05**
Net Income	**-54,85**	**-65,27**
Total cash balance (Bank deposits and funds)	**63,57**	**119.62**
Equity at 31 December 2024	**74,77**	**129,07**
Equity Ratio	**91,8%**	**96,7%**

* Includes both continued and discontinued operations. For more details, refer to Note 7.2, "Discontinued Operations," and the 2023 Annual Report.

NOK 63,6M
Total cash and financial assets

91,8%
Equity ratio

For the full year of 2024, Desert Control reached a record number of installations, increased LNC deployment volumes, and more than doubled LNC revenue compared to the previous year. These milestones reflect improved operational efficiency enabled by our next-generation LNC production system, enhanced irrigation system integration, and valuable insights gained from pilots and prior projects.

LNC revenue and licensing Royalties Increase:

Desert Control generated NOK 2.17 million in LNC revenue in 2024, compared to NOK 0.89 million in 2023. This increase reflects our continued expansion and operational scaling in line with strategic objectives. Total revenue and other income declined year after year, primarily due to a one-off impact of NOK 15.54 million related to the Middle East licensing transition, which was reported as part of discontinued operations.

Improved EBITDA:

For 2024, EBITDA improved to NOK -58.18 million compared to NOK -54.85 million in the prior year. This improvement was primarily driven by enhanced operational efficiencies and the transition to a licensed operator model in the Middle East, partially offset by increased operational and research and development activities in the United States and Norway.

Additionally, the capitalization of development efforts related to LNC production units further contributed to this progress. Excluding the one-off Middle East licensing transition, the full-year EBITDA improvement amounted to approximately NOK 19 million.

Cash flow and cash position

The Group reported a net cash outflow from operating activities of NOK 48.75 million in 2024, in line with the prior year.

Operating cash flow was primarily impacted by the loss before tax, partly offset by non-cash items such as depreciation, share-based payment expenses and foreign exchange adjustments.

Net cash provided by investing activities amounted to NOK 12.63 million, compared to NOK 32.6 million in 2023, driven by increased capital expenditures and no proceeds from asset disposals in 2024.

Financing activities generated a net cash outflow of NOK 0.49 million, following the prior year's one-time equity issuance of NOK 85.5 million.

As a result, the Group's cash and cash equivalents decreased by NOK 36.43 million, ending at NOK 63.57 million as of 31 December 2024.

Further details are provided in the Group's Consolidated Statement of Cash Flows and relevant notes in the Consolidated Financial Statements.

Desert Control AS is a public limited liability Company listed on Euronext Growth Oslo, serving as the parent Company for the Desert Control Group. In 2024, the parent Company recorded a loss of NOK 32.87 million (compared to a loss of NOK 87.76 million in 2023), primarily driven by operating expenses and strategic investments aimed at supporting our growth and technological advancements. The Board of Directors has carefully reviewed the allocation of the loss for 2024 in relation to our profit objectives, dividend policy, and capital structure goals. Given this loss—attributable to strategic investments and ongoing operating expenses—no dividend is proposed for the year. This decision ensures that available financial resources are directed towards growth initiatives and maintaining an optimal capital structure.

This decision and its rationale are fully substantiated in the financial statements and related disclosures, in compliance with IFRS requirements for parent Company accounts.

Year in review

Transition from validation to commercial scaling

2024 marked a defining year for Desert Control as the Company transitioned from extensive pilot programs and validation efforts to larger-scale commercialization. Years of investment in technology development, field testing, and regulatory approvals paved the way for accelerating adoption in key markets. The year saw a surge in securing commitments for commercial deployments, with adoption expanding across golf courses, agricultural operations, and urban landscaping, underscoring the readiness of LNC for large-scale applications. In the United States, successful pilot projects converted into larger-scale deployments, particularly in high-water-cost regions such as California.

LNC deployment volumes and revenues more than doubled compared to 2023. This sets the foundation for a projected tenfold increase in contracted revenues in 2025, reinforcing Desert Control's evolution towards a high-growth company.

Breakthrough technological advancements

Innovation remained at the core of Desert Control's success in 2024. The next-generation LNC production system prototype significantly increased output capacity to 120,000 liters per hour, unlocking cost-efficient, high-volume application opportunities. The successful integration of LNC with existing irrigation systems eliminated manual application constraints, drastically improving scalability while reducing operational costs. Furthermore, advancements in adaptive formulations enabled the use of locally available water sources with higher salinity, making LNC applicable in regions with varying water quality and ensuring broader market accessibility. These advancements expanded the market reach and strengthened LNC's value proposition in sustainable land and water management.

Expansion in key market segments

The U.S. market became a focal point of Desert Control's commercial expansion. The golf sector emerged as an early commercial success, with landmark contracts signed under the company's Pay-As-You-Save (PAYS) model. Full-course LNC applications secured with Berkeley Country Club and Woodland Hills Country Club strongly validate the technology's value proposition in reducing water costs and improving turf resilience. In agriculture, Oasis Date, with 5,000 acres of date farming operations, moved forward with a commercial roll-out for the first 160-acre ranch in Q1 2025, demonstrating LNC's impact on high-value permanent crops such as dates, citrus, nuts, and vineyards. Success in these sectors set the foundation for scaling adoption across other agricultural and landscaping applications.

Strengthening partnerships and licensing growth

The Middle East remained a key strategic market, with 2024 marking the full transition to a capital-light licensing model. The UAE operations were officially rebranded to Soyl, owned by Mawarid Holding Investments, completing the handover from DCME that began in 2023. In Saudi Arabia, Saudi Desert Control's partnership with Estidamah, the National Research and Development Center for Sustainable Agriculture, will advance commercial-scale deployments, reinforcing LNC's role in the country's water conservation and agricultural sustainability strategies. The licensing model proved successful in driving deployment growth while ensuring operational efficiencies through local expertise.

Financial performance and business model evolution

With commercial scaling underway, Desert Control more than doubled its LNC revenues in 2024, supported by increased deployment volumes and strengthened business execution. Transitioning to a revenue model combining direct sales, licensing, and recurring PAYS contracts improves revenue visibility going forward. The Company also strengthened its operational efficiencies, enabling more cost-effective project execution. As a result, the commercial pipeline for 2025 expanded significantly, with a growing number of contracted agreements across key sectors, further de-risking the business model and supporting long-term financial sustainability.

Global trends driving market demand

The macroeconomic landscape in 2024 reinforced the need for Desert Control's solutions. Rising water costs and stricter regulatory mandates increased demand for LNC, particularly in drought-prone regions. Commitments from international climate and sustainability forums, including COP16, further highlighted the urgency for scalable solutions in desertification mitigation and water conservation. Economic pressures on agriculture and urban landscaping strengthened the financial incentives for LNC adoption, enhancing customer return on investment and shortening payback periods. These external factors and Desert Control's technology and market momentum positioned the company as an innovative player in the soil and water conservation sector.

As Desert Control enters 2025, the Company has a strong foundation with validated technology, expanding commercial traction, and a sharpened focus on high-impact market opportunities. The coming year will be pivotal in scaling adoption, deepening partnerships, and driving long-term sustainable growth.

Outlook

Desert Control enters 2025 with strong momentum, a growing pipeline, and clear priorities for scaling execution and impact.

10x growth in revenue and deployment

Desert Control expects more than a tenfold increase in contracted revenues and LNC deployment volumes in 2025, driven by pipeline conversion and larger-scale projects in the U.S. and Middle East.

Technology readiness and scalability

The next-gen production system prototype, with output exceeding 120,000 liters/hour, is targeted for manufacturing readiness in Q2 2025, with the first units ready for delivery in Q3. This enables cost-efficient delivery of large projects with fast turnaround and hardware sales contributing to the more than tenfold growth in revenue.

Focus on righ-ROI markets

U.S. growth is concentrated in high-water-cost agriculture, golf, and landscaping. The Pay-As-You-Save (PAYS) model is accelerating adoption and generating recurring revenue. The Company anticipates a balanced revenue mix, combining high-value upfront sales with recurring revenue contracts, ensuring sustainable growth while optimizing the utilization of financial resources.

Partner-led growth in the Middle East

Soyl (UAE) and Saudi Desert Control continue to expand deployments. Licensing revenue and hardware sales of new production units are expected to drive significant growth.

R&D advancements

Automation, irrigation integration, soil health impact, and adaptive formulations are reducing delivery costs, expanding market applicability, and improving margins.

Market Outlook

Rising water costs, soil degradation, and climate mandates are accelerating global demand for sustainable land and water solutions. With a substantial pipeline and a capital-efficient business model, Desert Control is positioned to execute at commercial scale and deliver long-term value creation.

Going concern and capital outlook

As of 31 December 2024, Desert Control held a cash balance of NOK 64 million and had no interest-bearing debt. The Company has continued to focus on cost efficiency and optimizing its operations to support commercial scale-up while maintaining financial discipline.

Based on current forecasts, the Company's existing liquidity is expected to fund operations into Q4 2025, excluding revenues from new contracts. In light of the Company's growth ambitions and continued investments in scaling deployments, digital platforms, and commercial expansion, additional capital may be required to support operations and strategic initiatives beyond this period.

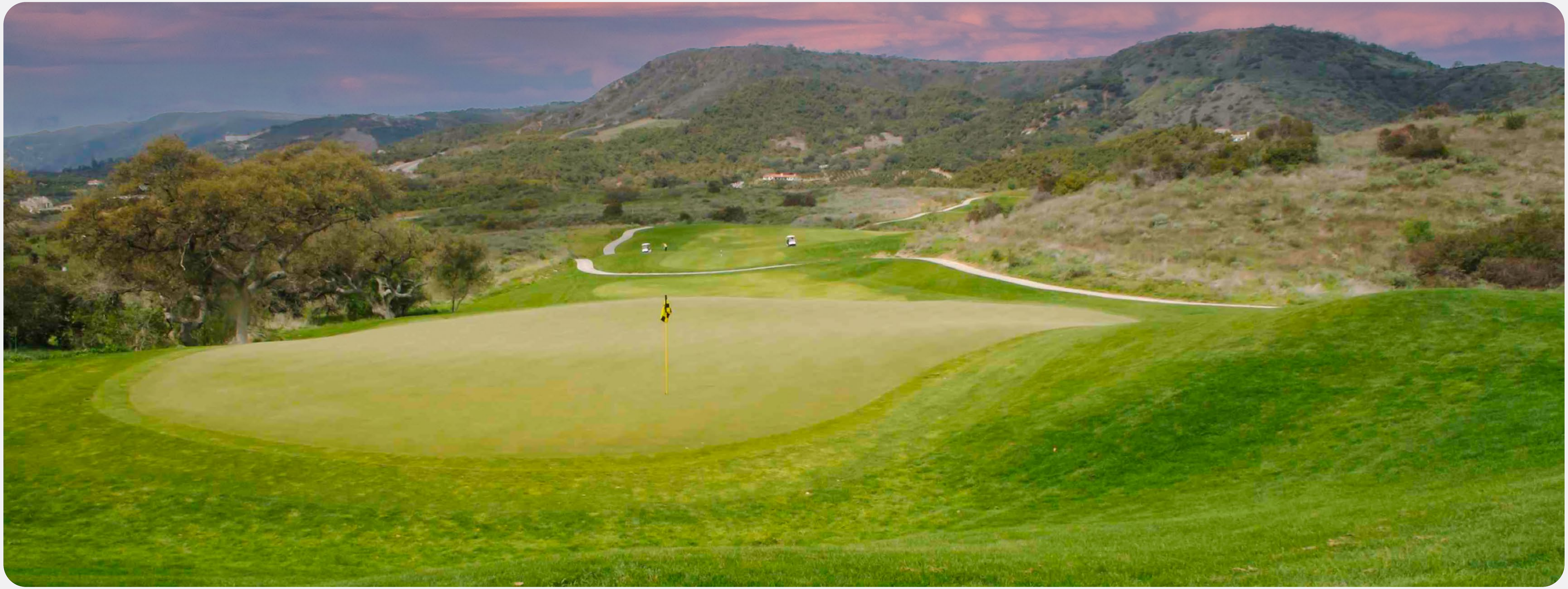
The Board is actively evaluating funding alternatives and strategic partnerships to secure additional resources as needed. This may include potential equity financing, grants, and cost-optimization measures to extend the financial runway and enable execution of the long-term growth plan. In conjunction with these evaluations the Board may also assess other strategic alternatives to enhance shareholder value.

The Board considers the current financial position to be adequate in the short term but recognizes that additional funding will be necessary to realize the Company'sfull commercial potential.

In accordance with §2-2(8) of the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared based on the going concern assumption. The Company has sufficient financial resources to cover planned operations into Q4 2025. The Board is actively working to secure additional capital to support further growth and long-term sustainability. As such, a material uncertainty exists beyond this period.

The Board expects that the Company's financial development will be driven by increased market adoption of LNC solutions, enhanced operational efficiencies, and successful execution of strategic initiatives. Key assumptions include stable macroeconomic conditions, continued regulatory support for water conservation, and sustained growth in both licensing and direct revenue streams.

Sustainability



Environmental, Social and Governance (ESG)

Restoring land, securing a sustainable future

At Desert Control, sustainability is a core aspect of our business model. Our technology uses minerals from the soil to transform low-quality soil into highly fertile and productive land— providing land managers with a cost-effective solution that can significantly improve profitability, reduce their vulnerability to changes in climate, and significantly reduce the water they consume. As we grow and evolve, we believe that furthering the integration of responsibility in environmental, social, and governance principles is key to our long-term success. To this end, although the Company is not yet subject to mandatory reporting requirements under the Corporate Sustainability Reporting Directive ("CSRD"), we will be releasing a voluntary sustainability report in 2025. The report will offer transparent communications in how Desert Control supports healthy ecosystems, bolsters communities, and ensures ethical business conduct. Further, we believe that the process of preparing our voluntary report allows us to improve our practices through the gap analysis it facilitates, while accelerating our timeline for achieving compliance with CSRD standards.

Key highlights

Regenerating the Earth

In 2024, we supported a healthy planet by:

- Increasing deployment of LNC by more than double over the previous year, allowing land managers to reduce irrigation needs by up to 60%
- Optimizing our technology and practices to reduce fossil fuel requirements and correlated greenhouse gas emissions from field operations
- Partnering with local community organizations to minimize resource consumption and ensure the promise of a healthy planet for future generations
- Strengthening global food security by transforming degraded soils to become productive and resilient to rising temperatures and limited resource availability

Resilient communities

Revitalized ecosystems go hand in hand with empowered communities. This year, our innovative technology supported this by:

- Providing farmers and businesses with the tools to withstand the challenges of climate change including rising prices, limited availability, and increasing regulations associated with water

Leading with accountability

In 2024, our approach to governance has been to remain transparent and responsible by:

- Adding internal capacity in preparation for the upcoming implementation of the CSRD
- Embedding Sustainability Management into our operations to support our growth towards improved compliance and minimized environmental impact

Environmental trends and regulatory outlook

“Environmental regulations continue to evolve in Desert Control’s key markets. In the United States, stricter water usage policies and irrigation restrictions are expected to accelerate the need for sustainable water and soil solutions. In the Middle East, national sustainability programs and agricultural reform efforts are driving increased focus on land rehabilitation and efficient resource use.

While these developments introduce potential compliance and reporting obligations, they are also expected to positively influence demand for Desert Control’s LNC solutions. The Company is proactively monitoring regulatory changes and preparing to meet emerging expectations, including early alignment with the Corporate Sustainability Reporting Directive (CSRD) ahead of mandatory requirements.

The Board views future environmental requirements as a strategic driver that reinforces Desert Control’s market positioning and long-term value proposition.”

People and work environment

As of December 2024, our team comprises 22 employees representing 13 diverse nationalities — including American, Brazilian, Congolese, Danish, Dutch, Jordanian, Mexican, Nepalese, Nigerian, Norwegian, Spanish, Uruguayan, and Venezuelan —with women making up 24% of our workforce. We are committed to improving gender balance through target recruitment strategies that ensure equal opportunities for all, regardless of socioeconomic background.

Our recruitment and onboarding processes are designed to blend expertise, experience, and personal values, fostering a cohesive and supportive company culture. We uphold the principles of equality and non-discrimination in all aspects of employment, including fair remuneration, benefits, and career development.

We are dedicated to maintaining a motivated international workforce by offering competitive living conditions, comprehensive insurance, pension plans, and support for employees to visit their home countries. In 2024, we recorded no workplace injuries or accidents, and although three employees experienced long-term sickness absences, total sick leave amounted to only 2.9%. The Board considers our working environment to be satisfactory and remains focused on continually enhancing personal protection measures and overall employee well-being.

Financial statements

Consolidated financial statements Desert Control Group

Consolidated statement of comprehensive income

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Revenue from sales	2.1	2 172	844
Other income	2.2	-	543
Total revenue and other income		**2 172**	**1 387**
Cost of goods sold (COGS)		270	62
Gross margin		**1 901**	**1 325**
Salary and employee benefit expenses	2.3,7.1	32 603	37 878
Other operating expenses	2.4	26 946	23 473
Depreciation and amortisation	3.1,3.2	5 129	4 175
Operating profit or loss		**-62 776**	**-64 200**
Finance income	4.6	8 213	17 600
Finance costs	4.6	138	12 776
Profit or loss before tax from continuing operations		**-54 702**	**-59 376**
Income tax expense	5.1	52	-13
Profit or loss for the year from continuing operations		**-54 754**	**-59 364**
Discontinued operations			
Profit or loss after tax for the year from discontinued operations	7.2	-91	-5 910
Profit or the loss for the year		**-54 845**	**-65 274**

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Allocation of profit or loss:			
Profit/loss attributable to the parent		-54 845	-65 274
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-5 581	1 414
Total items that may be reclassified to profit or loss		-5 581	1 414
Total other comprehensive income for the year		**-5 581**	**1 414**
Total comprehensive income for the year		**-60 425**	**-63 860**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-60 425	-63 860
Earnings per share NOK ("EPS")			
Basic EPS - profit or loss attributable to equity holders of the parent		-1,02	-1,48
Diluted EPS - profit or loss attributable to equity holders of the parent		-1,02	-1,48

Consolidated statement of financial position

(Amounts in NOK thousand)	Note	At 31 December	
		2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	11 292	8 044
Right-of-use assets	3.2	-	439
Total non-current assets		**11 292**	**8 484**
Current assets			
Inventory		152	217
Trade receivables		376	17
Other receivables	2.5	6 031	5 172
Other current financial assets	4.1	3	19 616
Cash and cash equivalents	4.5	63 572	100 008
Total current assets		**70 133**	**125 030**
TOTAL ASSETS		**81 426**	**133 514**

(Amounts in NOK thousand)	Note	At 31 December	
		2024	2023
EQUITY AND LIABILITIES			
Equity			
Share capital	4.4	161	161
Share premium	4.9	135 118	321 180
Currency translation differences		-5 664	-80
Retained earnings	4.9	-54 845	-192 194
Total equity		**74 769**	**129 067**
Current liabilities			
Current lease liabilities	3.2	-	464
Trade and other payables	2.6	3 448	1 873
Public duties payable	2.6	1 383	912
Other current liabilities	2.6	1 826	1 198
Total current liabilities		**6 657**	**4 448**
Total liabilities		**6 657**	**4 447**
TOTAL EQUITY AND LIABILITIES		**81 426**	**133 514**

Sandnes, 08.04.2025

Lars R. Eismark
Executive Chairman

Marit Røed Ødegaard
Marit Røed Ødegaard
Board Member

Maryne Lemvik
Board Member

Ole Kristian Sivertsen
Ole Kristian Sivertsen
Chief Executive Officer

Roar Husby
Roar Husby
Board Member

James Thomas
James Thomas
Board Member

Consolidated statement of cash flows

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Profit or loss before tax from continuing operations		**-54 702**	**-59 376**
Profit or loss before tax for discontinued operations		**-91**	**-5 910**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	3.1	5 129	6 492
Net financial income/expense	4.6	-2 566	-4 449
Foreign exchange gains or losses		-6 807	3 186
Share-based payment expense	4.7	6 132	4 219
Derecognition of Goodwill	3.3	-	7 220
Adjustment for non-cash item		2 730	-
Working capital adjustments:			
Changes in accounts receivable and other receivables		-1 151	5 802
Changes in trade payables, duties and social security payables		2 045	-3 162
Changes in other current liabilities and contract liabilities		628	-4 236
Net cash flows from operating activities		**-48 653**	**-50 214**

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Cash flows provided by (used in) investing activities (NOK)			
Capital expenditures and investments	3.1	-9 097	-691
Sale (Purchase) of financial instruments	4.1	19 580	22 346
Proceeds from sale of property, plant and equipment	3.1	-75	10 556
Interest received		2 130	398
Net cash flow provided by (used in) investing activities		**12 538**	**32 610**
Cash flow provided by (used in) financing activities (NOK)			
Proceeds from issuance of equity	4.4	-	85 473
Transaction costs on issue of shares	4.4	-	-3 608
Lease payments	3.2	-488	-1 146
Interest paid		-5	-23
Net cash flows provided by (used in) financing activities		**-493**	**80 696**
Net increase/(decrease) in cash and cash equivalents		**-36 609**	**63 092**
Cash and cash equivalents at beginning of the year/period	4.5	100 008	36 791
Net foreign exchange difference		176	125
Cash and cash equivalents, end of period		**63 574**	**100 008**

Consolidated statement of changes in equity

(Amounts in NOK thousand	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
At 1 January 2023	**123**	**235 132**	**-1 336**	**-126 919**	**107 001**
Profit (loss) for the year				-65 274	-65 274
Other comprehensive income			-1 837		-1 837
Translation differences related to deconsolidated subsidary reclassified to proft or loss			3 093		3 093
Issue of share capital (Note 4.4)	37	85 436			85 473
Transaction cost		-3 608			-3 608
Share based program options (Note 4.7)		4 219			4 219
At 31 December 2023	**161**	**321 180**	**-80**	**-192 194**	**129 067**
At 1 January 2024	**161**	**321 180**	**-80**	**-192 194**	**129 067**
Profit (loss) for the period				-54 845	--54 845
Currency translation differences in OCI			-5 584		-5 584
Issue of share capital (Note 4.4)	0				0
Share based program options (Note 4.7)		6 132			6 132
Share premium reclassification (Note 4.9)		-192 194		192 194	-
At 31 December 2024	**161**	**135 118**	**-5 664**	**-54 845**	**74 769**

Notes to the consolidated financial statements

1.1 General information

Corporate information

The condensed interim financial statements of Desert Control AS and its subsidiaries (collectively, "the Group", "Company" or "Desert Control") for the twelve months period ended 31 December 2024 were authorised for issue by a Board meeting held on 08 April 2025.

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

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

1.2 Basis of preparation

The consolidated financial statements of the Group comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and related notes. The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by The European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

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

Presentation currency and functional currency

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

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

Going concern basis of accounting

The Board of Directors has assessed Desert Control's financial position and future outlook in line with applicable financial reporting standards. As of April 8, 2025, the Company's current liquidity position supports operations into Q4 2025 based on planned activities, excluding future revenues. The Board is actively implementing measures to strengthen the financial runway, including evaluating opportunities for additional funding and cost optimization. While these initiatives are expected to enable continued operations, their successful completion carries inherent uncertainties.

The Board believes these measures will ensure Desert Control's ongoing development and financial sustainability. Consequently, the financial statements are prepared on a going concern basis. However, until additional financing or optimizations are secured, a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern beyond Q4 2025.

Enhanced disclosure of material accounting policies

In accordance with the amendments to IAS 1 issued by the IASB on 12 February 2021, which became effective for reporting periods beginning on or after 1 January 2023, the Group has continued to assess and disclose material accounting policies, rather than merely significant ones. This approach ensures that only accounting policies that materially impact the understanding of the financial statements are presented, thereby enhancing transparency and relevance for users.

Material accounting policies are those that relate to transactions, events, or conditions that have a significant effect on the financial statements and whose disclosure is essential for users to understand the entity's financial position and performance. The selection and presentation of these policies reflect the Group's specific business activities and financial reporting requirements.

1.3 Accounting policies and judgmental considerations

Desert Control AS has chosen to present its accounting policies, estimates, assumptions, and significant judgmental considerations in the notes to which they relate. This approach ensures that relevant policies are disclosed in conjunction with the related financial statement items for greater clarity and transparency.

Capitalisation of internal development costs
In accordance with IFRS, particularly IAS 38 (Intangible Assets), Desert Control has historically expensed all internal development costs as incurred. This approach has been consistently applied, ensuring that costs are recognized in a manner that reflects operational realities and financial reporting objectives. While IAS 38 permits the capitalization of development costs when specific criteria are met, our policy has been to expense these costs unless a project demonstrates technological feasibility and the ability to generate probable future economic benefits. In cases where development activities involve intangible elements that are directly connected to a tangible asset, such as the Next-Generation LNC Production System Prototype, we assess whether capitalisation is appropriate under IAS 16 (Property, Plant, and Equipment) rather than IAS 38. When intangible components such as technological innovations, process improvements, or R&D efforts are integral to the functionality of a physical asset, they are not recognized as separately identifiable intangible assets but are instead included in the cost of the tangible asset. As the company continues to develop new solutions, we evaluate development expenditures on a case-by-case basis to determine whether they meet the recognition criteria for capitalization under IAS 38 or IAS 16.

Capitalization of development costs related to specific projects

During 2024, Desert Control capitalized certain costs associated with the development of the Next-Generation LNC Production System Prototype, recognizing it as Property, Plant, and Equipment (PPE) under IAS 16. This includes direct costs, such as materials and assembly, as well as internal time writing attributed to the project. This represents an expansion of our approach to cost recognition, as internally recorded development time was not previously capitalized for past projects. The Next-Generation LNC Production System Prototype project is an early-stage prototype under active testing and development. Although it incorporates elements of technological innovation and process improvements, management has assessed that the intangible aspects are inseparable from the physical prototype, and therefore, the asset qualifies as PPE rather than an intangible asset under IAS 38. The decision to capitalize these costs reflects the prototype's direct contribution to production capacity, its ongoing operational use, and its potential for future scaling into mass production.

Management continues to evaluate projects on a case-by-case basis, ensuring that development costs are recognized in accordance with the capitalization criteria set out in IAS 38 (Intangible Assets) and IAS 16 (Property, Plant, and Equipment).

1.4 Material judgements, estimates and assumptions

The preparation of our consolidated financial statements in accordance with IFRS requires management to make critical judgments, estimates, and assumptions that significantly affect the reported values of assets, liabilities, revenues, and expenses. These financial estimates are grounded in historical data and informed by expectations based on reasonable assumptions under current conditions. However, it is important to note that actual results could differ from these estimates.

Ongoing review and adaptation
The assumptions and underlying estimates are reviewed continually to ensure they align with current market conditions and the operational environment. Any significant changes in the assumptions or estimates that may arise due to market fluctuations or unforeseen circumstances are promptly reflected in the financial reporting.

Key judgements in the capitalisation of development costs.

A key area of judgement relates to the capitalisation of development costs for our Next-Generation LNC Production System Prototype.

While research and development costs incurred before January 1, 2024 were expensed as incurred, management has assessed that the development costs incurred during 2024 meet the criteria for capitalisation. Although the project includes both tangible components and intangible elements such as technological innovation and process improvements, our evaluation concluded that these intangible aspects are inherently integrated with the physical asset. As a result, the development expenditures are capitalised as PPE in accordance with IAS 16, rather than as a separate intangible asset under IAS 38.

This decision reflects our judgment that the capitalised costs directly contribute to enhancing production capacity, support the asset's ongoing operational use, and are expected to generate future economic benefits through scalability and improved efficiency.

Key areas of estimates and assumptions
Share-Based Payments (Note 4.7): We assess the fair value of share-based payments at each reporting date, taking into account factors such as share price volatility and employee turnover rates. Measurement of Deferred Tax Assets (Note 5.1): Recognition of deferred tax assets is based on forecasted taxable income, considering the likelihood of sufficient taxable profits being available against which the tax losses can be utilized.

Judgment in deferred tax assets
Deferred Tax Assets Recognition (Note 5.1): The decision to recognize deferred tax assets involves judgments regarding the future financial performance of the company, specifically whether there will be sufficient taxable profit to utilize the deferred tax assets.

Material uncertainties and risks
Going Concern Uncertainties: We explicitly address any material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern in our risk disclosures. These include factors such as market volatility and operational risks which are assessed to determine their potential impact on our operational continuity and financial stability.

Discontinued operation
In accordance with IFRS 5, Desert Control has classified certain operations in the Middle East as discontinued following a strategic reassessment of our business model. This reorientation towards a licensing framework necessitated the derecognition of goodwill previously associated with direct operational presences in these regions. Originally, this goodwill reflected the expected future economic benefits from our direct operations and technological exclusivity in the UAE and broader Middle East. Transitioning to a licensing model fundamentally alters the nature of our revenue generation, focusing now on earning royalties and selling equipment rather than direct sales. Consequently, the economic benefits that goodwill was expected to generate are no longer aligned with our revised business strategy.

Desert Control performed an impairment trigger assessment on the assets and liabilities related to our UAE operations, coinciding with the decision to classify these assets as held for sale during 3Q 2023. This assessment did not reveal the need for an impairment, reflecting our judgement that the expected proceeds from the disposal were adequate relative to the carrying amounts.

This note should be read in conjunction with Note 7.2 Discontinued Operations.

Going concern assessment

In accordance with IFRS (IAS 1.25 and 1.26), management has assessed the Company's ability to continue as a going concern for at least 12 months beyond the reporting period. This assessment has been reviewed and endorsed by the Board. Where significant judgment was applied in determining whether material uncertainties exist, such judgment has been disclosed.

2.1 Revenue from sales

Accounting policies

Revenue from sales is recognised when control of the goods or services transfers to the customer, reflecting the total consideration expected under the terms of the contract. Specifically, for our product LNC, revenue is recognised at the moment the product is applied at the delivery point, as this is when control typically passes to the customer, in accordance with the contractual agreements. This process marks the completion of the sole performance obligation per sale.

Revenue from royalties is recognized when the licensee's underlying sales occur, ensuring that income is recorded in the same period in which the related usage or sales take place.

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

By area of operation: (Amounts in NOK thousand)	**Full year**	
	2024	**2023**
Liquid NaturalClay (LNC) continued operations	1 879	844
Liquid NaturalClay (LNC) discontinued operations	-	48
Licensing Royalties	293	0
Total Revenues from contracts with customers and other revenues	**2 172**	**893**

By geographic market:	**Full year**	
	2024	**2023**
Norway	293	0
USA	1 879	844
UAE, ref note 5 discontinued operations	-	48
Revenue from contracts with customers	**2 172**	**893**

2.2 Other income

Accounting policies

Other income is recognized when control of goods or services transfers to the customer, reflecting the fair value of the transaction. In 2023, the Group recognized material income from licensing agreements and business restructuring transactions (See Note 7.2). No other income was recorded in 2024.

Other income	**Full year**	
	2024	**2023**
Continued operations:		
Inventory sales	-	33
Sustainability & Environment award	-	510
Other income continued operations	**-**	**543**
Discontinued operations:		
Secondment of personell	-	1 358
Sale of assets	-	540
Net income recognition from licensing agreements*	-	14 798
Other income discontinued operations	**-**	**16 697**
Total other income	**-**	**17 240**

* Net of derecognized goodwill (only applicable for 2023).

2.3 Salary and employee benefit expenses

Accounting policies
Salary and employee benefit expenses represent a significant portion of our operational costs.

Breakdown of Employee Cost
Fixed and Variable Pay: Employee remuneration includes fixed pay such as salaries and hourly wages, and variable pay that includes bonuses and commissions, which are recognized as expenses in the periods in which the employees render the related services.

Holiday Pay and Other Benefits: Holiday pay is accrued based on ordinary salaries and is recognized as a liability until paid in the following fiscal year. Other benefits, including health insurance and transportation allowances, are expensed as incurred.

Pensions and Social Security Contributions: The company complies with the Norwegian Mandatory Company Pension Act, ensuring all employees are covered by a legally required pension scheme. The company operates a defined contribution plan, where pension contributions are expensed in the payroll periods to which they relate. Social security contributions are recognized as expenses when the related salaries are incurred.

Other employee expenses: Other employee expenses mainly include share option expenses, which are valued at fair market price at the time of grant and are expensed over the vesting period of the options.

Government Grants
Government grants received as incentives for employment practices are recognized when there is reasonable assurance that the grant conditions will be met. The grants are accounted for as reductions to the respective expense categories they pertain to, such as direct labor costs.

Employee benefit expenses	**Full year**	
	2024	**2023**
Salaries	21 745	27 704
Social security costs	3 239	4 774
Pension costs	831	958
Other employee expenses incl. share option expense	7 905	5 627
Subtotal Salaries and Benefits	**33 720**	**39 064**
Government grant	-1 118	-1 186
Total employee benefit expenses continued operations	**32 603**	**37 878**
Total employee benefit expenses discontinued operations	**-**	**10 415**
Average number of full time employees (FTEs) continued operations	22	20
Average number of full time employees (FTEs) discontinued operations	-	18

At the end of the reporting period, members of the Board and management held shares and share options in Desert Control AS. For information on remuneration to Management and the Board of Directors, including disclosures related to share and share options held, see note 7.1.

2.4 Operating expenses

Accounting policies
Operating expenses represent costs incurred in the ordinary course of business, excluding cost of materials, salaries and employee benefits, and depreciation and amortization. These expenses are recognized on an accrual basis to reflect the consumption of resources in generating revenue. The company discloses expenses that have a significant impact on the financial statements, including audit and accounting fees, consulting and legal fees, travel expenses, and research costs. Government grants related to operating expenses are recognized as deductions from the respective expense category.

Other operating expenses	**Full year**	
	2024	**2023**
Audit and accounting services	5 820	2 974
Research expenses	5 300	1 681
Consulting fees	4 464	2 025
Travel expenses	3 587	3 894
Hardware and software expenses	2 288	2 265
Lease expenses	1 741	2 424
Regulatory expenses	947	1 346
Government grant	-878	-297
Legal expenses	754	2 673
Other operating expenses	2 923	4 488
Total other operating expenses continued operations	**26 946**	**23 473**
Total other operating expenses discontinued operations	**260**	**6 438**

Auditor fees	**2024**	**2023**
Statutory audit	535	748
Attestation services	430	104
Tax advisory	-	-
Other services	246	-
Total remuneration to the auditor	**1 211**	**852**

The amounts above are excluding VAT.

2.5 Other receivables

Accounting policies
Desert Control measures 'Other Receivables,' which notably include amounts due from the VAT, and government grants, at initial fair value and subsequent amortized cost. We adopt a simplified approach for ECL (expected credit losses) in line with IFRS 9, reflecting our minimal historical credit losses and robust risk management practices. The immaterial credit loss allowance indicates low credit risk, and details on our credit risk management are outlined in Note 4.2, ensuring stakeholders have a clear picture of our financial standing and risk profile.

The increase in government grant receivables in 2024 is primarily due to the expanded scope of SkatteFUNN projects. The Next-Generation LNC Production System Prototype and Formulation project, approved for SkatteFUNN for 2024–2025, and the Roadrunner project, approved for SkatteFUNN for 2024–2026, have incurred higher eligible R&D expenses, contributing to a larger grant receivable balance at year-end.

Other receivables	**At 31 December**	
	2024	**2023**
Government grant receivables	3 121	1 483
VAT receivable	1 300	1 311
Prepayments	1 273	909
Other receivables	337	1 470
Total other receivables	**6 031**	**5 173**

The credit loss allowance is insignificant.

For details regarding the Group's procedures on managing credit risk, reference is made to note 4.2.

2.6 Trade payables and other liabilities

Accounting policies
Trade payables and other liabilities include both trade payables and accrued expenses, representing obligations arising from past transactions where settlement is expected within 12 months from the balance sheet date.

Trade Payables: Amounts due to suppliers for goods and services received. These liabilities are non-interest-bearing and typically settled within 30 days, ensuring alignment with the company's cash flow management strategy.

Trade payables refer to amounts due to suppliers for goods and services received and invoiced, while accrued expenses consist of liabilities for expenses incurred but not yet invoiced at the reporting date. These liabilities are non-interest-bearing and are measured at amortized cost.

Public Duties Payable: Comprises withholding payroll taxes and social security liabilities, which are statutory obligations.

Other Current Liabilities: Primarily includes accruals and other miscellaneous liabilities, such as employee bonuses, professional fees, and operational expenses.

The company does not have any lease liabilities as of 31 December 2024.

Trade and other liabilities	**At 31 December**	
	2024	**2023**
Trade payables	1 549	1 873
Other payables*	1 899	-
Public duties payable**	1 383	912
Other current liabilities***	1 826	1 198
Current lease liabilities	-	464
Total trade and other liabilities	**6 657**	**4 448**

*Includes accruals for expenses incurred but not yet invoiced

**Represents accrued liabilities for withholding payroll taxes and social security contributions

***Represents provisions related to employee benefits, including accrued wages, holiday pay, and other compensation-related liabilities

Maturity	**3 months**	**4-6 months**	**7-9 months**	**Total**
Trade payables	1 549	-	-	1 549
Other payables*	873	371	655	1 899
Public duties payable**	1 176	206	-	1 383
Other current liabilities***	1 826	-	-	1 826
Total trade and other liabilities	**5 424**	**577**	**655**	**6 657**

2.7 Provisions

Accounting policies
TThe Group has not recognized any provisions during the current or preceding periods, as provisions have historically been immaterial.

The Group has not provided guarantees to or on behalf of third parties or related parties. Additionally, there are no significant commitments requiring disclosure.

3.1 Property, plant and equipment

Accounting policies
Desert Control recognizes Property, Plant, and Equipment (PP&E) at historical cost, reduced by accumulated depreciation and any impairment losses. Initial costs include the purchase price, construction costs, and direct costs necessary to bring the asset to working condition. Regular maintenance costs are expensed as incurred, while significant replacements and overhauls are capitalized and depreciated over their useful lives. The Group reviews residual values, depreciation methods, and asset useful lives annually, adjusting them prospectively when necessary.

Following the strategic realignment in 2023, Desert Control had discontinued operations in the Middle East, resulting in the disposal of significant PPE assets. The primary impacts of these disposals were detailed in Note 7.2 of the 2023 financial statements. As of 2024, the Group maintains only residual PPE balances related to minor remaining entries, which are not material to the financial statements.

Desert Control's management consistently reviews the carrying values of PP&E to ensure alignment with operational realities and future economic benefits. There were no indications of impairment during the period.

The remaining PP&E is expected to continue contributing to our operations, with depreciation reflecting the consistent application of our accounting policies. Depreciation of PP&E is computed on a straight-line basis, reflective of the expected utilisation and benefit of the assets. For specific components of assets that are significant in relation to total cost, depreciation is charged separately, aligned with their individual useful lives.

During 2024, Desert Control capitalized costs associated with the development of the Road Runner prototype as PPE under IAS 16. The Road Runner project represents an early-stage prototype with both tangible and intangible components. After assessment, management concluded that the asset primarily qualifies as PPE due to its dominant physical nature and operational use.

Management is committed to reallocating resources to maximise operational efficiency and align with our strategic focus on markets outside the Middle East. The Group continues to monitor and reassess its asset base to ensure alignment with operational needs and future economic benefits.

The asset capitalized this year under Plant and Machinery for the Next Generation LNC unit remains in the development phase, with depreciation scheduled to commence in 2026 once it is ready for its intended operational use.

(NOK thousand)	Plant and machinery	Fixtures and fittings	Total
Cost as at 1 January 2023	**25 694**	**1 185**	**26 879**
Additions continued operations	3 551	2 470	6 021
Disposals including discontinued operations	-18 738	-	-18 738
Currency translation effects	223	-	223
Cost as at 31 December 2023	**10 730**	**3 655**	**14 385**
Additions continued operations	7 297	456	7 753
Disposals including discontinued operations	-266	-	-266
Currency translation effects	1 085	-	1 085
Cost as at 31 December 2024	**18 846**	**4 111**	**22 957**
Depreciation and impairment as at 1 January 2023	**5 345**	**509**	**5 854**
Depreciation for the year	4 604	497	5 101
Impairment for the year	-	-	-
Disposals including discontinued operations	-3 205	-	-3 205
Currency translation effects	-1 408	-	-1 408
Depreciation and impairment as at 31 December 2023	**5 336**	**1 006**	**6 341**
Depreciation for the period continued operations	3 537	1 130	4 667
Impairment for the period	-	-	-
Disposals discontinued operations	-111	-	-111
Currency translation effects	767	-	767
Depreciation and impairment as at 31 December 2024	**9 529**	**2 136**	**11 665**
Net book value:			
At 31 December 2023	**5 395**	**2 650**	**8 044**
At 31 December 2024	**9 317**	**1 975**	**11 292**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

3.2 Right-of-use assets and lease liabilities

Accounting policies
Desert Control's accounting for right-of-use assets is aligned with the principles set out in IFRS 16. As we operate within a dynamic business environment, our leasing strategies are regularly reviewed for optimal alignment with operational needs.

For the reporting period ending December 31, 2024, right-of-use assets have been accounted for at cost less accumulated depreciation, consistent with the company's historical practices.

During 2024, all previously recognized right-of-use assets were fully depreciated, and no lease liabilities remained outstanding as of December 31, 2024. The Group renewed certain leases for periods shorter than 12 months, which therefore qualify as short-term leases under IFRS 16. As a result, these are expensed as incurred rather than recognized on the balance sheet.

The Group's leased assets include one warehouse property and one farm property in the United States. The farm property continues to support our core business activities in an agricultural area, while the warehouse serves as a key hub for logistics and distribution in North America. The lease for the UAE warehouse property expired in November 2023 and was not renewed, in line with the liquidation of the Group's UAE operations.

The Group's right-of-use assets recognised in the consolidated statement of financial position are presented in the following below:

Right-of-use assets	Warehouse & farm property	Total
Acquisition cost at 31 December 2023	**988**	**988**
Additions of right-of-use assets	-	-
Currency translation effects	-	-
Acquisition cost at 31 December 2024	**988**	**988**
Depreciation and impairment at 31 December 2023	**548**	**548**
Disposals due to discontinued operations	-	-
Depreciation of right-of-use assets from continued operations	462	
Currency translation effects	-23	
Depreciation and impairment at 31 December 2024	**988**	**548**
Carrying amount at 31 December 2023	**439**	**439**
Carrying amount at 31 December 2024	**-**	**-**
Remaining lease term or remaining useful life	1-2 years	
Depreciation plan	Straight-line method	

Expenses in the period related to practical expedients and variable payments	2024	2023
Short-term lease expenses	488	1 436
Low-value assets lease expenses	-	-
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**488**	**1 436**

In addition, the lease expenses in the period related to short-term leases, low-value assets and variable lease payments are included in other operating expenses in the consolidated statement of comprehensive income, and the payments are presented in the Group's operating activities in the consolidated statement of cash flows.

The Group's lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	31.12.2024	31.12.2023
Less than one year	-	464
One to two years	-	-
Total undiscounted lease liabilities	**-**	**464**

Changes in the lease liabilities - 2024	Total
At 1 January 2023	**1 485**
New leases recognised during the period	66
Cash payments for the lease liability	-1 146
Interest expense on lease liabilities	40
Currency translation effects	19
Total lease liabilities at 31 December 2023	**-**
Current lease liabilities in the statement of financial position	464
Non-current lease liabilities in the statement of financial position	464

Changes in the lease liabilities - 2024	Total
At 1 January 2024	**464**
New leases recognised during the period	-
Cash payments for the lease liability	-488
Interest expense on lease liabilities	12
Currency translation effects	12
Total lease liabilities at 31 December 2023	**-**
Current lease liabilities in the statement of financial position	-
Non-current lease liabilities in the statement of financial position	-

Total cash outflow for 2024 for all leases amount to NOK 3.2 million (NOK 3.1 million in 2023)

3.3 Goodwill

Accounting policies
In 2023, the Group derecognized NOK 7.2 million in goodwill following the disposal of a subsidiary as part of its transition to a licensing model. This derecognition was not an impairment loss but was accounted for as part of the disposal of net assets related to the subsidiary.

As of 31 December 2024, no goodwill remains on the balance sheet. A reference to Note 7.2 provides further details on this transaction.

4.1 Financial instruments

Accounting policies

Classification of financial instruments

The Group classifies financial instruments in accordance with IFRS 9 as measured at either amortised cost or fair value through profit or loss. Financial assets at amortised cost meet the IFRS 9 business model and 'solely payments of principal and interest' (SPPI) test and include trade receivables, other receivables, and cash equivalents. Other financial assets are measured at fair value through profit or loss.

Financial liabilities

Financial liabilities primarily consist of trade and other payables, which are measured at amortised cost. The Group does not hold derivative financial instruments, and there have been no changes in classification or measurement compared to the prior year.

Initial Recognition and subsequent measurement

Financial assets and liabilities at amortised cost are initially recognised at fair value plus transaction costs and subsequently measured using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss upon derecognition or impairment. Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss.

Impairment of financial assets

The Group applies the expected credit loss (ECL) model to financial assets at amortised cost. Trade receivables follow the simplified approach, recognising lifetime ECLs based on historical losses and forward-looking factors.

Derecognition of financial instruments

A financial asset is derecognised when the contractual rights to cash flows expire or are transferred. A financial liability is derecognised when it is discharged, cancelled, or modified.

Offsetting of Financial Instruments

Financial assets and liabilities are offset in the statement of financial position when a legally enforceable right exists and there is an intention to settle on a net basis.

Changes from prior year

The Group's financial instrument classification and measurement policies remain unchanged. Financial assets measured at fair value through profit or loss are now immaterial.

31.12.2024	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Trade receivables		376		376
Other receivables	2.5	337		337
Other current financial assets			3	3
Cash and cash equivalents	4.5	63 572		63 572
Total financial assets		**64 285**	**3**	**64 288**
Liabilities				
Trade and other payables	2.6	3 448		3 448
Total financial liabilities		**4 205**	**-**	**3 448**

31.12.2023	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Trade receivables		17		17
Other receivables	2.5	4 263		4 263
Other current financial assets*			19 616	19 616
Cash and cash equivalents	4.5	100 008		100 008
Total financial assets		**104 288**	**19 616**	**123 904**
Liabilities				
Trade and other payables	2.6	1 873		1 873
Total financial liabilities		**1 873**	**-**	**1 873**

* Other current financial assets consist of fixed income fund.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.6.

4.2 Financial risk management

Overview

The Group's principal financial liabilities comprise trade and other payables, primarily used to finance operations. The Group's principal financial assets include other current financial assets, other receivables, and cash and short-term deposits, which arise from its operational activities.

The Group is exposed to financial risks that could impact its performance, including market risk, credit risk, and liquidity risk. Risk management is conducted by Group management.

Market risk

Market risk refers to the risk that future cash flows or the fair value of financial instruments will fluctuate due to changes in market prices. It includes interest rate risk, currency risk, and other price risks.

Interest rate risk

The Group is exposed to interest rate risk primarily through its holdings in cash and fixed income funds. However, during the year, the Group substantially reduced its holdings in fixed income funds, lowering its overall exposure to interest rate fluctuations.

The Group's exposure to interest rate risk is limited, as it no longer holds fixed income funds as of 31 December 2024, and all cash holdings generate fixed interest income. Any impact from interest rate fluctuations is restricted to potential reinvestment risk when deposits mature.

While the Group currently has no interest-bearing debt, changes in market interest rates may impact returns on its remaining cash and financial assets. The Group continuously monitors market conditions and evaluates the potential impact of interest rate fluctuations on its financial performance.

The Group does not currently use financial instruments to hedge interest rate risk but continuously monitors market trends. If market conditions indicate increased risk, management may consider hedging strategies in the future.

Foreign currency risk

Foreign currency risk arises when financial instruments are denominated in a currency other than the functional currency of the entity holding the instrument.

The Group's US subsidiary holds financial balances denominated in foreign currencies, primarily in USD. As a result, the subsidiary is exposed to foreign exchange rate fluctuations, which may have a financial impact. Transactions in USD and other foreign currencies may result in exchange rate exposure at year-end if they are not fully settled.

Credit risk

Credit risk is the risk that a counterparty fails to meet its contractual obligations, resulting in a financial loss for the Group. The Group's exposure to credit risk primarily arises from other receivables, cash and cash equivalents, and other current financial assets.

To mitigate credit risk, the Group only transacts with highly reputable banks and financial institutions. Credit risk on cash deposits is considered low, as funds are held with institutions that have high credit ratings.

Based on historical data, counterparty risk assessments, and forward-looking information, the expected credit loss as of 31 December 2024 is considered not significant.

Liquidity risk

Liquidity risk arises when the Group may face challenges in meeting its financial obligations due to a shortage of funds. The Group actively monitors and manages liquidity risk by assessing working capital needs and securing sufficient funding. As of April 8, 2025, our current liquidity supports operations into Q4 2025, based on planned activities excluding future revenues.
The Board is actively implementing measures to extend our financial runway—including pursuing additional funding and optimizing operational expenditures—to address the uncertainties inherent in our early-stage operations. Although the Group does not have any interest-bearing debt or finance lease liabilities and all payables are due within 12 months from the balance sheet date, a material uncertainty exists regarding our ability to continue as a going concern beyond Q4 2025 until these initiatives are successfully completed.

Capital management

The Group's capital management objective is to secure adequate funding to support its operations and the commercialization of its project. As an early-stage company, the Group prioritizes maintaining sufficient financial resources to ensure a funding runway of at least six months. Capital is managed through active liquidity monitoring, securing investor funding, and optimizing resource allocation. The Group does not hold interest-bearing debt, and its financial strategy focuses on preserving liquidity rather than establishing a strong capital structure at this stage.

4.3 Fair value measurement

Accounting policies

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

As of 31 December 2024, the Group does not hold any material financial assets or liabilities measured at fair value. During the year, the Group held financial instruments classified as Level 1 fair value measurements, consisting of fixed income funds. These investments were fully liquidated before the reporting date, and the proceeds were transferred to cash and cash equivalents, which are measured at amortized cost.

The carrying amounts of the Group's cash, other receivables, and trade and other payables approximate their fair values due to their short-term maturities and prevailing market conditions.

4.4 Equity and shareholders

Accounting policies

Costs related to equity transactions

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

Distribution to shareholders

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

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

Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per per share (NOK)	Financial Position
At 31 December 2022	**41 099 680**	**0,003**	**123 299**
Share issue 10 March 2023	227 109	0,003	681
Share issue 31 July 2023	1 000 000	0,003	3 000
Share issue 13 October 2023	10 000 000	0,003	30 000
Share issue (rep) 17 November 2023	1 181 188	0,003	3 544
At 31 December 2023	**53 507 977**	**0,003**	**160 524**
Share issue 22 February 2024	120 000	0,003	360
At 31 December 2024	**53 627 977**	**0,003**	**160 884**

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

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

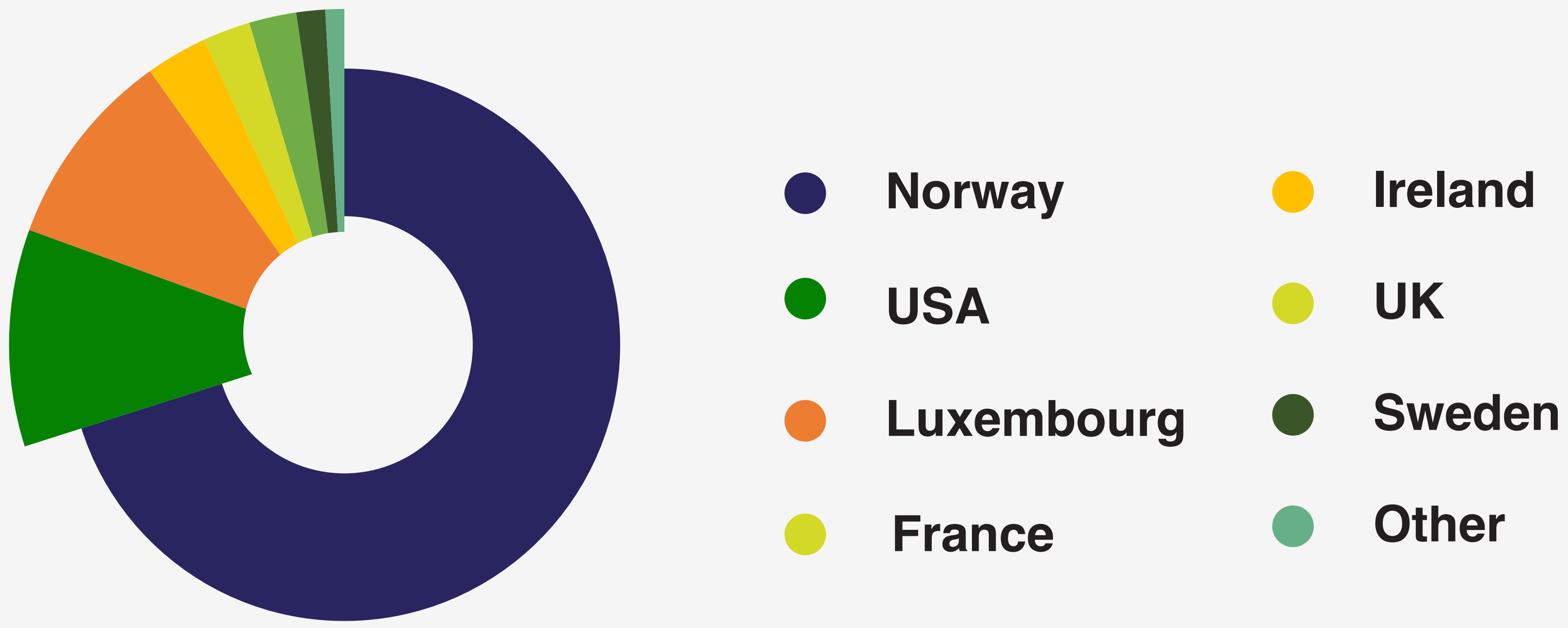
A share issue of 120,000 shares was completed on February 22, 2024, raising NOK 360. This transaction had no impact on the Statement of Changes in Equity beyond increasing the total share capital.

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2024	Total shares	Ownership/ Voting rights
Woods End Interests LLC	5 343 472	10,0%
J.P. Morgan SE	4 247 077	7,9%
Citibank	3 610 828	6,7%
Nordnet Livsforsikring AS	2 617 583	4,9%
Lithinon AS	1 720 002	3,2%
BNP Paribas	1 627 836	3,0%
Olesen Ole Morten	1 586 083	3,0%
Lin AS	1 502 275	2,8%
Olesen Consult HVAC AS	1 475 000	2,8%
Glomar AS	1 368 456	2,6%
DNB Bank ASA	1 315 718	2,5%
Ninas Holding AS	1 225 173	2,3%
Jakob Hatteland Holding AS	1 222 222	2,3%
Hako Ventures AS	1 112 431	2,1%
Idland Atle	1 090 491	2,0%
OKS Consulting AS	1 050 000	2,0%
The Northern Trust Comp	958 275	1,8%
Sortun Invest AS	949 937	1,8%
Clearstream Banking S.A.	945 107	1,8%
Yggdrasil Venture AS	787 220	1,5%
Sundvolden Holding AS	594 431	1,1%
Others	17 278 360	32,2%
Total	**53 627 977**	**100,0 %**

Shares held by management or the Board at the end of the reporting periods are summarized in note 7.1.

Country of origin	No of shares	%	# shareholders
Norway	35 394 135	66,0%	3 103
United States	5 636 059	10,5%	7
Luxembourg	5 222 184	9,7%	8
Ireland	3 626 814	6,8%	12
France	1 618 104	3,0%	5
United Kingdom	1 117 175	2,1%	7
Sweden	604 403	1,1%	14
Others	409 103	0,8%	33
Grand total	**53 627 977**	**100%**	**3 189**



4.5 Cash and cash equivalents

Accounting policies

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

Cash and cash equivalents	At 31 December	
	2024	2023
Bank deposits, unrestricted	62 821	99 522
Bank deposits, restricted	753	486
Total cash and cash equivalents	**63 574**	**100 008**

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

4.6 Financial income and expenses

Accounting policies
Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as gain or loss on foreign exchange within finance income or finance costs, except for currency translation effects from investments in foreign subsidiaries which are presented within OCI. For other accounting policies related to the underlying financial instruments, reference is made to note 4.1.

Interest costs on lease liabilities represents the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position.

Finance income continued operations	**Full Year**	
	2024	**2023**
Interest income	2 130	408
Other finance income	-	1 515
Gain on foreign exchange	6 082	15 677
Total finance income continued operations	**8 213**	**17 600**
Total finance income discontinued operations	**-441**	**-**

Finance costs continued operations	**Full Year**	
	2024	**2023**
Interest on lease liabilities	12	40
Other finance costs	26	113
Loss on foreign exchange	99	12 624
Total finance costs continued operations	**138**	**12 776**

Finance costs discontinued operations	**Full Year**	
	2024	**2023**
Interest expenses	-	385
Exchange differences on translation of forreign operations	-	3 186
Total finance costs discontinued operations	**-**	**3 571**

Interest income represents mainly interest income on cash deposits.
Other finance income is related to income from other current financial assets.

4.7 Share based payments

Accounting policies
Management and key employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

Under the main schemes the employees are granted options to purchase shares after 3 years vesting periods. The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made, which has been estimated using an appropriate valuation model (the Black-Scholes-Merton Model).

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.8).

Social security tax on share based payments are recognised when paid.

Significant accounting estimates and assumptions

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or restrictive share unit, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates made by management. The most significant assumption is the volatility of the share price, which has been set to 37% due to the immature nature of the Group and its technology.

Share options held by management at the end of the reporting period are summarised in note 7.1.

The fair value of the options were determined at the grant dates and expensed over the vesting period. MNOK 6.1 have been expensed as employee benefit expenses in the period (MNOK 4.2 in 2023).

	2024 Number	2023 Number
Outstanding options 1 January	**1 798 333**	**2 760 000**
Options granted	2 250 000	10 000
Options forfeited	-122 000	-731 667
Options exercised	-120 000	-240 000
Options expired	0	0
Outstanding options at 31 December	**3 806 333**	**1 798 333**
Exercisable at 31 December	0	0

The strike price for the options exercised was NOK 0.003. The share price at the time of exercise in 2024 was NOK 7,14 compared to the share price at time of exercise in 2023 of NOK 14.94.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2024 was 1.82 years (2023: 1.31 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 - 20.00 (2023: same).

Assumptions used to determine fair value of share option grants:

	2024	2023
Weighted average fair values at the grant date	5,32	12,00
Dividend yield (%)	0	0
Expected volatility (%)	37%	51%
Risk–free interest rate (%)	4%	4%
Expected life of restricted shares (years)	3,0	2,5
Weighted average share price (NOK)	12,78	25,76
Model used	BSM	BSM

The expected volatility reflects historical volatility for similar listed entities. Share based payment valuations are considered level 3 measurements, ref note 4.3.

4.8 Earnings per share

Accounting policies
Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

(Amounts in NOK)	**2024**	**2023**
Profit or loss attributable to ordinary equity holders - for basic EPS	-54 845 297	-65 273 971
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	-54 845 297	-65 273 971
Weighted average number of ordinary shares - for basic EPS	53 610 881	44 009 807
Weighted average number of ordinary shares adjusted for the effect of dilution	49 804 548	45 808 140
Basic EPS - profit or loss attributable to equity holders of the parent	**-1,02**	**-1,48**
Diluted EPS - profit or loss attributable to equity holders of the parent	**-1,02**	**-1,48**

4.9 Share premium reclassification

Accounting policies
During Q3 2024, NOK 192,193,571 was reclassified from the share premium account to retained earnings to offset accumulated losses. This reclassification was approved by the Board of Directors and is subject to shareholder approval at the upcoming Annual General Meeting (AGM) on June 10, 2025, in accordance with the Norwegian Companies Act (Aksjeloven).

This reclassification had no impact on the company's total equity, as it was an internal reclasification within equity. The purpose of this adjustment was to offset retained earnings losses with share premium, and ensure compliance with Skattefunn and other relevant regulatory requirements.

5.1 Taxes

Accounting policies

Current income tax

Current income tax is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity (OCI) is recognised in equity (OCI) and not in the statement of profit or loss.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity (or tax group) and the same taxation authority.

The Group has NOK 180 million of tax losses carried forward as at 31 December 2024 (NOK 118 million as at 31 December 2023). These losses primarily relate to historical losses in the parent company. The tax losses carried forward may be offset against future taxable income and have no expiry date.

The tax losses carried forward from the discontinued operations of the liquidated entities in the Middle East, are not included in the table below. Due to the ongoing liqudation process, it is highly improbable that these losses will be utilized against future taxable income.

The Group does not have any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets relating to the tax losses carried forward.

Current income tax expense:	**2024**	**2023**
Tax payable	52	-12
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	**52**	**-12**

Deferred tax assets:	**2024**	**2023**
Property, plant and equipment	-2 125	-339
Lease liabilities		-464
Other current assets		
Liabilities		
Losses carried forward (including tax credit)	180 616	117 466
Basis for deferred tax assets:	**178 491**	**116 663**
Calculated deferred tax assets	39 268	25 666
- Deferred tax assets not recognised	-39 268	-25 666
Net deferred tax assets in the statement of financial position	**-**	**-**

Deferred tax liabilities	**31.12.2024**	**31.12.2023**
Property, plant and equipment		
Right-of-use assets	-	439
Other current assets		
Liabilities		
Basis for deferred tax liabilities	**-**	**439**
Calculated deferred tax liabilities	**-**	**97**
- Deferred tax not recognised	-	-97
Deferred tax liabilities recognised in the statement of financial position	**-**	**-**

As the Group is not yet in a tax paying position and and has not recognised any deferred tax assets related to the tax losses carried forward, it has not been determined meaningful to present a reconciliation of the tax expense.

6.1 Interests in other entities

Accounting policies

Subsidiaries

The consolidated financial statements comprise the financial statements of Desert Control AS and its subsidiaries as at 31 December 2024. Subsidiaries are consolidated when control is achieved as defined by IFRS 10. The Group controls an investee if it has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power to affect those returns. Generally, a majority of voting rights results in control; however, the Group considers all relevant facts and circumstances in assessing whether control exists.

The Group re-assesses control when facts and circumstances indicate changes in the elements of control. Consolidation begins when control is obtained and ceases when control is lost. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date control ceases. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent. All intra-group assets, liabilities, equity, income, expenses, and cash flows from transactions between Group entities are eliminated upon consolidation.

During 2023, Desert Control AS executed strategic agreements leading to the sale of production assets and entities to Mawarid Holding Investment LLC (MHI), resulting in the loss of control over a joint venture and an associate. These transactions were accounted for as discontinued operations under IFRS 5, with further details provided in Note 7.2.

As part of the Group's strategic exit from the Middle East, the liquidation of DCME remains ongoing due to final administrative procedures. While all major assets have been disposed of and operations have ceased, the final step involves obtaining the Liquidator's Report, which is contingent on resolving the outstanding VAT receivable with the Federal Tax Authorities. The deregistration of both the main entity and its Dubai branch has been completed, and the sponsorship agreement has been terminated. Until the liquidation is formally completed, the entity continues to be classified as a discontinued operation to ensure comparability of financial information.

There have been no new subsidiaries added in 2024, and the composition of the Group remains unchanged from the prior year.

The subsidiaries of Desert Control AS are presented below:

Consolidated entities 31 December 2024	Office	Currency	Shareholding and the Group's voting ownership share	Date of consolidation
Desert Control Americas, Inc.	USA	USD	100%	31.12.2024

* Other current financial assets consist of fixed income fund.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.6.

7.1 Remuneration to Management and the Board

Remuneration of the Board of Directors

The remuneration of the Board of Directors is approved by the Annual General Meeting (AGM), based on proposals from the the Board.

The remuneration table below reflects changes in the Board of Directors, including the appointment of Executive Chairman Lars Raunholt Eismark and new board members. These changes were implemented in 2024 and will be presented for shareholder approval at the AGM in 2025. For further details, please refer to the Board of Directors' Report in this Annual Report.

In 2024, the Board of Directors established a Remuneration Committee to oversee the company's remuneration policies. For details on the committee's role and responsibilities, refer to the Board of Directors' Report in this Annual Report.

Remuneration to the Members of the board	**Board remuneration**	
(Amounts in NOK thousand)	**Full Year**	
	2024	**2023**
Lars Raunholt Eismark (Executive Chair)	125	-
Maryne Lemvik (Board Member)	100	100
Marit Røed Ødegaard (Board Member)	100	100
Roar Husby (Board Member)	50	-
James Edward Thomas (Board Member)	100	-
Knut Nesse (former Chair, served until 15 October 2024))	125	250
Brage Wårheim Johansen (Board Member, served until 1 June 2023)	-	100
Geir Hjellvik (former Board Member, served until 20 June 2024))	50	100
Kristian P. Olesen (Board Member, served until 7 January 2024)	-	100

Remuneration to the management team

The Board of Desert Control AS determines the principles applicable to the Group's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's management team includes the CEO, Interim CFO (who has been contracted from Aider), CIO and MD (US).

Principles for determining salary

The main principle for determining salary for each executive management member has been a fixed annual salary with the addition of benefits in kind such as telephone, insurance and internet subscription. The fixed salary has been determined on the basis of the following factors: competitive salary level, scope of work and responsibilities, as well as an assessment of the business and individual performance.

Pension

All executive management are members of the defined contribution pension scheme.

Other benefits

Members of the management team have been granted share options under the Group's share option plan, described in note 4.8. The share options held by the management team is summarised further below.

Severance Arrangements

If the CEO is terminated by the Board, he is entitled to severance pay of 12 months in addition to the ordinary notice period of 3 months.

For other members of the management team, there will be an individual assessment of severance packages that are reasonable in relation to responsibility and seniority and the reason for the termination of the employment.

Loans and guarantees

No loans have been granted and no guarantees have been issued to management or any member of the Board of Director.

Remuneration to the management team for the year ended 31 December 2024:

(Amounts in NOK thousand)	**Salary**	**Discounted shares**	**Pension**	**Other compensation**	**Total remuneration**
Ole Kristian Sivertsen (CEO)	2 684	643	80	594	4 000
Marty Weems (Managing Director US)	2 600			154	2 754
Viggo Halseth (CIO until 31.12.2024)	705		39	21	766
Jan Vader (Chief Innovation Officer)	1 356		71	21	1 448
Total	**7 345**	**643**	**190**	**790**	**8 968**

Remuneration to the management team for the year ended 31 December 2023:

(Amounts in NOK thousand)	**Salary**	**Discounted shares**	**Pension**	**Other compensation**	**Total remuneration**
Ole Kristian Sivertsen (CEO)	2 292	1 345	80	1 215	4 932
Erling Rasmussen (CFO until Sept.2022)		1 121	-	1 125	2 246
Marianne Vika Bøe (CFO until Aug. 2023)	854	-	45	11	910
Charlie Granfelt (CCO until Sep. 2023)	1 048	-	53	1 437	2 538
Bernt Arne Breistein (CSO until Sep. 2023)	1 048	-	53	1 137	2 238
Viggo Halseth (Chief Innovation Officer)	706	-	40	17	763
Marty Weems (Managing Director US)	1 427	-	-	105	1 532
Jan Vader (Chief Innovation Officer)	1 145	-	-	323	1 468
Total	**8 520**	**2 466**	**271**	**5 370**	**16 627**

Shares held by the management team:	At 31 December	
	2024	2023
Ole Kristian Sivertsen (CEO)	1 050 000	930 000
Leonard Chaparian (Contracted CFO)	-	-
Viggo Halseth (former Chief Innovation Officer)	10 375	10 375
Marty Weems (Managing Director US)	-	-
Jan Vader (Chief Innovation Officer)	200	200
Total	**1 060 575**	**940 575**

Shares held by the Board of Directors:	At 31 December	
	2024	2023
Lars Raunholt Eismark (Executive Chairman)	-	-
James Edward Thomas	5 343 472	4 444 444
Marit Røed Ødegaard	30 000	30 000
Maryne Lemvik	-	-
Roar Husby	-	-
Knut Nesse (Former Chairman until 15 October 2024)	-	1 360 000
Kristian P. Olesen*, Board Member until 7 Jan 2024	-	5 900 000
Geir Hjellvik (Boardmember until 20 June 2024)	-	1 720 002
Total	**5 373 472**	**13 454 446**

* Kristian P. Olesen owned controlling interest (60 %) in Olesen Consult HVAC AS, who holds 1.475 mill shares in Desert Control.

Share options held by the management team:	31.12.2024	31.12.2023
Ole Kristian Sivertsen (CEO)	1 350 000	600 000
Lars Raunholt Eismark (Executive Chairman)	1 500 000	-
Leonard Chaparian (CFO)	-	-
Viggo Halseth (CIO until 31 December 2024)**	78 000	120 000
Marty Weems (Managing Director US)	150 000	150 000
Jan Vader (Chief Innovation Officer)	150 000	150 000
Total	**3 228 000**	**1 020 000**

**Previous management team employees kept a pro rate share of their options deemed to be vested as of the date of the termination and all other unvested options cancelled.

7.2 Discontinued operations

Accounting policies

In June 2023, Desert Control entered into a significant agreement with Mawarid Holding Investment LLC (MHI) for the sale of its production entity in the United Arab Emirates, which included transferring the shares in the joint venture, Mawarid Desert Control, along with the LNC production assets. This agreement designated MHI as the exclusive licensed operator for the UAE, aiming to expand operations across the Middle East. Subsequently, in July 2023, an agreement was reached with Holistic Earth Advanced Regeneration Technologies SA (H-EART), resulting in the transfer of a single LNC Production cluster, which includes four production units, and granting H-EART the operational license on behalf of Desert Control in the Kingdom of Saudi Arabia.

Following these agreements, Desert Control Middle East LLC initiated the liquidation process to phase out the company's operations in the Middle East effectively.

In alignment with IFRS 5, the Group has classified its operations in the United Arab Emirates as discontinued following the strategic decision to exit the market. This reflects a significant shift in our geographical and operational focus, deemed material to our business structure and financial outlook.

The financial results from these discontinued operations, including the gain or loss on deconsolidation, are separately reported in the Consolidated Statement of Comprehensive Income to enhance clarity and decision-usefulness for our stakeholders. Non-current assets and disposal groups related to these operations were measured at the lower of their carrying amount and fair value less costs to sell and have been presented as held for sale in prior reporting periods until their disposal in 2023.

As of December 31, 2024, Desert Control has no assets classified as held for sale, as major transactions related to discontinued operations were completed in 2023. The final liquidation of Desert Control Middle East LLC is expected to be completed in 2025, with only administrative matters remaining.

The net results from these discontinued operations have been reported as a single line item in the Consolidated Statement of Comprehensive Income.

Net result for discontinues operations as of 31 December

		Full year	
(Amounts in NOK thousand)	**Notes**	**2024**	**2023**
Revenue from sales	2	0	48
Other income		5	16 697
Total income from discontinued operations		**5**	**16 745**
Cost of goods sold (COGS)		278	353
Gross margin from discontinued operations		**-272**	**16 393**
Salary and employee benefit expenses		-	10 398
Other operating expenses		260	6 016
Depreciation and amortisation		-	2 317
Operating profit or loss from discontinued operations		**-532**	**-2 338**
Finance income		-441	-
Finance costs		-	3 571
Profit or loss before tax from discontinued operations		**-91**	**-5 910**
Income tax expense		-	-
Profit or loss for the year from discontinued operations		**-91**	**-5 910**

7.3 Related party transactions

Related parties include major shareholders, members of the Board of Directors, and key management personnel of the parent company and Group subsidiaries. Note 4.4 and Note 6.1 provide details on the Group structure, including subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior periods are disclosed in Note 7.1, which also includes information on shares and share options held by management and Board members.

In 2024, Desert Control AS engaged Lars Raunholt Eismark (Lars Raunholt Eismark Advisory) for consulting services in addition to board fees, with total payments of NOK 195,312 for the period after his appointment as Executive Chairman on October 15, 2024 (2023: NOK 0.00). While some project-based consultancy was provided before his appointment, only transactions occurring after he assumed the role as Executive Chairman are included in this note. The same approach has been applied in the Remuneration Note (Note 7.1) of the Group consolidated financial statements.

7.4 Events after the reporting period

Desert Control Group assesses all significant information received up to the date the financial statements are authorized for issuance to determine whether events after the reporting period provide evidence of conditions that existed at the reporting date or indicate new conditions that arose subsequently. Events that provide further evidence of conditions existing at the balance sheet date are considered adjusting events, and necessary adjustments are made to the financial statements in accordance with IAS 10 Events after the Reporting Period.

For non-adjusting events that arise after the reporting period and do not relate to conditions existing at the reporting date but are material, their nature and financial impact are disclosed, or a statement is provided if such an estimate cannot be made.

As of the authorization date of these financial statements, no material events have occurred after December 31, 2024, that require disclosure or adjustment.

8.1 Upcoming accounting standards and interpretations

As of the issuance date of these financial statements, there are no new standards, amendments, or interpretations that have been issued but are not yet effective, which are expected to have a significant impact on the Group's financial statements in future periods.

The Group is assessing the impact of IFRS 18 – Presentation and Disclosure in Financial Statements, which introduces new presentation and disclosure requirements to improve transparency and comparability. The assessment is ongoing, and any necessary adjustments will be made in line with the standard's effective date and regulatory requirements.

Financial statements Desert Control AS

Statement of comprehensive income

(Amounts in NOK thousand)	**Note**	**Full year**	
		2024	**2023**
Revenue from sales	2.1	293	-
Other income	2.1	-	23 001
Total revenue and other income		**293**	**23 001**
Cost of goods sold (COGS)		122	-
Gross margin		**171**	**23 001**
Salary and employee benefit expenses	3.1	24 908	27 845
Other operating expenses	3.2	18 996	15 532
Depreciation and amortisation	4.1	1 130	497
Operating profit or loss		**-44 864**	**-20 873**
Finance income	5.1	17 111	23 138
Finance costs	5.1	5 122	90 026
Profit or loss before tax		**-32 874**	**-87 761**
Income tax expense	6.1	-	-
Profit or loss for the year		**-32 874**	**-87 761**

(Amounts in NOK thousand)	**Note**	**Full year**	
		2024	**2023**
Allocation of profit or loss:			
Profit/loss attributable to the parent		32 874	-87 761
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-	-
Total items that may be reclassified to profit or loss		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**-32 874**	**-87 761**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-32 874	-87 761

Statement of financial position

(Amounts in NOK thousand)	Note	At 31 December 2024	At 31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	4.1	8 383	2 650
Investment in subsidiaries	7.1	43	43
Deferred tax assets	5.1	-	-
Intercompany receivables	8.1	67 192	44 312
Total non-current assets		**75 619**	**47 005**
Current assets			
Trade receivables		220	-
Other receivables	9.1	4 188	2 600
Other current financial assets	9.2	3	19 616
Cash and cash equivalents	9.3	62 577	97 847
Total current assets		**66 987**	**120 063**
TOTAL ASSETS		**142 606**	**167 068**

(Amounts in NOK thousand)	Note	At 31 December 2024	At 31 December 2023
EQUITY AND LIABILITIES			
Equity			
Share capital	10.1, 10.2	161	161
Share premium		155 001	312 678
Retained earnings		-18 431	-149 364
Total equity		**136 731**	**163 474**
Current liabilities			
Trade and other payables	11.1	3 016	1 685
Public duties payable	11.1	1 383	912
Other current liabilities	11.1	1 476	997
Total current liabilities		**5 875**	**3 594**
Total liabilities		**5 875**	**3 594**
TOTAL EQUITY AND LIABILITIES		**142 606**	**167 068**

Sandnes, 08.04.2025

Lars R. Eismark
Executive Chairman

Marit Røed Ødegaard
Board Member

Maryne Lemvik
Board Member

Ole Kristian Sivertsen
Chief Executive Officer

Roar Husby
Board Member

James Thomas
Board Member

Statement of cash flows

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Profit or loss before tax		**-32 874**	**-87 761**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	4.1	1 130	497
Net financial income/expense	5.1	-5 739	-10 422
Foreign exchange gains or losses		-4 130	
Share-based payment expense	10.2	6 132	4 219
Write down intercompany debt in subsidiaries	6.1	-	77 310
Adjustments for other non-cash items		2 654	-
Working capital adjustments:			
Changes in accounts receivable and other receivables		-1 808	2 638
Changes in trade payables, duties and social security payables		1 801	-2 047
Changes in other current liabilities and contract liabilities		479	-3 633
Net cash flows from operating activities		**-32 355**	**-19 199**

(Amounts in NOK thousand)	Note	Full year 2024	Full year 2023
Cash flows provided by (used in) investing activities (NOK)			
Capital expenditures and investments	4.1	-4 194	-18
Sale (Purchase) of financial instruments	9.2	19 580	22 347
Proceeds from sale of property, plant and equipment		-	
Interest received		2 130	398
Net cash flow provided by (used in) investing activities		**17 549**	**22 727**
Cash flow provided by (used in) financing activities (NOK)			
Proceeds from issuance of equity	10.1	-	85 474
Transaction costs on issue of shares	10.1	-	-3 608
Net payments loans to group companies		-20 499	-20 075
Interest paid		-5	-3
Net cash flows provided by (used in) financing activities		**-20 505**	**61 788**
Net increase/(decrease) in cash and cash equivalents		**-35 346**	**65 316**
Cash and cash equivalents at beginning of the year/period	9.3	97 847	32 443
Net foreign exchange difference		76	88
Cash and cash equivalents, end of period		**62 579**	**97 847**

Statement of changes in equity

(Amounts in NOK thousand, unadited)	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2023	**123**	**230 850**	**-65 823**	**165 150**
Profit (loss) for the year			-87 761	-87 761
Issue of share capital (Note 4.4 Group accounts)	37	85 436		85 474
Transaction cost		-3 608		-3 608
Share based program options (Note 4.7 Group accounts)			4 219	4 219
At 31 December 2023	**161**	**312 678**	**-149 364**	**163 474**
At 1 January 2024	**161**	**312 678**	**-149 364**	**163 474**
Profit (loss) for the period			-32 875	-32 875
Issue of share capital (Note 4.4 Group accounts)	0			0
Share based program options (Note 4.7 Group accounts)			6 132	6 132
Share premium reclassification (Note 4.2)		-157 677	157 677	-
At 31 December 2024	**161**	**155 001**	**-18 431**	**136 731**

1.1 Summary of IFRS accounting principles

Significant accounting policies

These parent company financial statements should be read in conjunction with the Consolidated Financial Statements of Desert Control, which are published together with these financial statements.

The financial statements have been prepared in line with the simplified application of International Financial Reporting Standards (IFRS®) in accordance with the Norwegian Accounting Act § 3-9. Except as described below, Desert Control AS applies the same accounting policies as the Group. For further details, reference is made to the accounting policies in the Consolidated Financial Statements.

Subsidiaries

Investments in subsidiaries are accounted for using the cost method in the parent company's financial statements. Impairment testing of investments in subsidiaries follows the same principles as those applied to Property, Plant, and Equipment (PPE) in the Consolidated Financial Statements. Dividends received from subsidiaries are presented under Net Financial Income.

2.1 Total revenue and other income

Revenue from royalties is recognized when the licensee's underlying sales occur, ensuring that income is recorded in the same period in which the related usage or sales take place.

In 2023, the Parent and Group recognized material net income from licensing agreements and business restructuring transactions (see Note 7.2) in the Group consolidated financial statements. No other income was recorded in 2024.

Total revenue and other income	**Full year**	
	2024	**2023**
Licensing Royalties	293	-
Inventory sales	-	33
Sustainability & Environment award	-	510
Net income recognition from licensing agreements *	-	22 458
Total revenue and other income	**293**	**23 001**

* This line item includes contributions originating from the final transactions of the licensing agreement in the Middle East, including sales, settlements, and associated costs.

3.1 Salary and employee benefit expenses

Employee benefit expenses	Full year	
	2024	2023
Salaries	15 218	18 968
Social security costs	2 710	4 084
Pension costs	831	958
Other employee expenses incl. share option expense	7 266	5 022
Subtotal salaries and benefits	**26 026**	**29 032**
Government grant	-1 118	-1 186
Total employee benefit expenses	**24 908**	**27 845**
Average number of full time employees (FTEs)	13	14

Members of the Board of Directors and Management held shares and share options in Desert Control AS as of the reporting date. For detailed information on their remuneration, including salaries, pension contributions, and share-based compensation, refer to Note 7.1 Remuneration to Management and the Board in Group consolidated financial Statements.

The company complies with the Norwegian Mandatory Company Pension Act, ensuring all employees are covered by a legally required pension scheme.

For further details on salaries, employee benefits, and share-based compensation, please refer to Notes 2.3 Salary and employee benefit expenses and 4.7 Share based payments in Group consolidated financial statements.

3.2 Operating expenses

Other operating expenses	Full year	
	2024	2023
Audit and accounting services	5 493	2 216
Research expenses	4 733	1 681
Hardware and software expenses	2 259	2 106
Travel expenses	1 961	1 847
Lease expenses	1 595	1 982
Regulatory expenses	947	1 346
Legal expenses	733	2 460
Consulting fees	654	628
Other operating expenses	1 499	1 561
Subtotal other operating expenses	**19 875**	**15 828**
Government grant	-878	-297
Total other operating expenses	**18 996**	**15 531**

Auditor fees	2024	2023
Statutory audit	535	726
Attestation services	430	104
Tax advisory	-	-
Other services	246	
Total remuneration to the auditor	**1 211**	**830**

The amounts above are excluding VAT.

4.1 Property, plant and equipment

(NOK thousand)	Plant and machinery	Fixtures and fittings	Total
Cost as at 1 January 2023	**806**	**1 185**	**1 991**
Additions continued operations	-	2 470	2 470
Disposals	-	-	-
Cost as at 31 December 2023	**806**	**3 656**	**4 461**
Additions	6 408	456	6 864
Disposals	-	-	-
Cost as at 31 December 2024	**7 214**	**4 111**	**11 325**
Depreciation and impairment as at 1 January 2023	**806**	**509**	**1 315**
Depreciation for the year	-	497	497
Impairment for the year	-	-	-
Disposals	-	-	-
Depreciation and impairment as at 31 December 2023	**806**	**1 006**	**1 812**

(NOK thousand)	Plant and machinery	Fixtures and fittings	Total
Depreciation	-	1 130	1 130
Impairment for the period		-	-
Disposals	-	-	-
Depreciation and impairment as at 31 December 2024	**806**	**2 136**	**2 942**
Net book value:			
At 31 December 2023	**0**	**2 650**	**2 650**
At 31 December 2024	**6 408**	**1 975**	**8 383**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

4.2 Share premium reclassification

During 2024, NOK 157,676,667 was reclassified from the share premium account to retained earnings to offset accumulated losses. This reclassification was approved by the Board of Directors and is subject to shareholder approval at the upcoming Annual General Meeting (AGM) on June 10, 2025, in accordance with the Norwegian Companies Act (Aksjeloven).

This reclassification had no impact on the company's total equity, as it was an internal reclasification within equity. The purpose of this adjustment was to offset retained earnings losses with share premium, and ensure compliance with Skattefunn and other relevant regulatory requirements.

5.1 Financial income and expenses

Finance income	Full year	
	2024	2023
Interest income	5 210	5 945
Other finance income	453	1 515
Gain on foreign exchange	11 448	15 677
Total finance income	**17 111**	**23 138**

Finance costs	Full year	
	2024	2023
Other finance expenses	39	113
Loss on foreign exchange	5 096	12 604
Writedown on intercompany loans and subsidiaries	-13	77 310
Total finance costs	**5 122**	**90 026**

Interest income represents mainly interest income on cash deposits.

Other finance income relates to the write-up of previously written-down assets in our Middle East operations.

Writedown on intercompany loans and subsidiaries reflects a writedown of intercompany loans to our subsidiary in the Middle East, as well as a writedown of the shares.

6.1 Taxes

	2024	2023
Tax payable	-	-
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	**-**	**-**
Deferred tax assets:	**31.12.2024**	**31.12.2023**
Property, plant and equipment	-13 293	-339
Right-of-use assets	-	-
Other current assets	-	-
Liabilities	-	-
Losses carried forward (including tax credit)	-124 385	-82 429
Basis for deferred tax assets:	**137 678**	**-82 768**
Calculated deferred tax assets	30 289	-18 386
Net deferred tax assets in the statement of financial position	**-**	**-**
Deferred tax liabilities recognised in the statement of financial position	**-**	**-**

7.1 Interests in other entities

The subsidiaries of Desert Control AS are presented in the following table:

Consolidated entities 31 December 2024	Office	Currency	Shareholding and the Group's voting ownership share	Net loss (NOK thousands)	Equity (NOK thousands)
Desert Control Americas, Inc.	USA	USD	100%	-26 739	-62 077

As of December 31, 2024, Desert Control has made significant progress in the liquidation of DCME. The Dubai branch and the Abu Dhabi entity have been deregistered, leading to the termination of the agreement with the local corporate sponsor. As a result, Desert Control AS no longer has an ownership interest in DCME.

All accounts, including bank accounts, have been closed, except for a VAT receivable account, which remains outstanding with the Federal Tax Authorities. The final step in the liquidation process is obtaining the Liquidator's Report, which is contingent upon resolving the VAT balance. The liquidation is expected to be finalized in 2025.

For further details, refer to Notes 6.1 Interests in other entities and 7.2 Discontinued operations in the Group consolidated financial statements.

8.1 Related party transactions

Related parties of Desert Control AS include major shareholders, members of the Board, and management, as well as its subsidiaries. Details regarding the company's related parties, including its structure, subsidiaries, and shareholders, are provided the Notes 6.1 Interests in other entities and 4.4 Equity and shareholders of the Group consolidated financial statements.

During 2023, the Group commenced the liquidation of DCME as part of a broader strategic reorganization in the Middle East and a pivot towards a licensing business model. As at December 31, 2023, the liquidation process had been initiated but was not finalized. The outstanding loan balance to DCME stood at NOK 72,604,690, with a provision for an estimated loss of NOK 69,271,336 recognized during the year. This provision reflects the anticipated write-down on the majority of the outstanding loan, including a specific write-down for the UAE receivable.

Desert Control AS continues to have an interest-bearing loan to Desert Control Americas (NOK 66,401,154), which remains outstanding as of December 31, 2024, with repayment expected in 31.12.2025.

In 2024, Desert Control AS engaged Lars Raunholt Eismark (Lars Raunholt Eismark Advisory) for consulting services in addition to board fees, with total payments of NOK 195,312 for the period after his appointment as Executive Chairman on October 15, 2024 (2023: NOK 0.00). While some project-based consultancy was provided before his appointment, only transactions occurring after he assumed the role as Executive Chairman are included in this note.

9.1 Other receivables

Other receivables	At 31 December	
	2024	2023
Govnerment grant receivables	3 121	1 483
VAT receivable	492	588
Prepayments	412	529
Other receivables	163	-
Total other receivables	**4 188**	**2 600**

The credit loss allowance is zero.

For details regarding the Group's procedures on managing credit risk, reference is made to Note 4.2 in the Group's consolidated financial statements.

9.2 Financial instruments

31.12.2024	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Trade receivables		220		220
Other current financial assets			3	3
Cash and cash equivalents	4.5	62 577		62 577
Total financial assets		**62 797**	**3**	**62 799**
Liabilities				
Trade and other payables	2.6	3 016		3 016
Total financial liabilities		**3 016**	**-**	**3 016**

31.12.2023	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Trade receivables		-	-	-
Other current financial assets*		-	19 616	19 616
Cash and cash equivalents	9.3	97 847	0	97 847
Total financial assets		**97 847**	**19 616**	**117 463**
Liabilities				
Trade payables	11.1	1 685	-	1 685
Total financial liabilities		**1 685**	**-**	**1 685**

* Other current financial assets consist of fixed income fund, managed by SKAGEN and Storebrand. The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

There are no changes in classification and measurement for the parent financial assets and liabilities.

Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.6 Financial income and cost to the Group consolidated financial statements.

9.3 Cash and cash equivalents

Accounting policies

The parent company applies the same accounting policies as the Group for Cash and cash equivalents. For further details, refer to Note 4.5 of the Group Consolidated Financial Statements.

Cash and cash equivalents	**At 31 December**	
	2024	**2023**
Bank deposits, unrestricted	61 826	97 361
Bank deposits, restricted	753	486
Total cash and cash equivalents	**62 579**	**97 847**

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

10.1 Equity and shareholders

Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per per share (NOK)	Financial Position
At 31 December 2022	**41 099 680**	**0,003**	**123 299**
Share issue 10 March 2023	227 109	0,003	681
Share issue 31 July 2023	1 000 000	0,003	3 000
Share issue 13 October 2023	10 000 000	0,003	30 000
Share issue (rep) 17 November 2023	1 181 188	0,003	3 544
At 31 December 2023	**53 507 977**	**0,003**	**160 524**
Share issue 22 February 2024	120 000	0,003	360
At 31 December 2024	**53 627 977**	**0,003**	**160 884**

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

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

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2024	Total shares	Ownership/ voting rights
Woods End Interests LLC	5 343 472	10,0%
J.P. Morgan SE	4 247 077	7,9%
Citibank	3 610 828	6,7%
Nordnet Livsforsikring AS	2 617 583	4,9%
Lithinon AS	1 720 002	3,2%
BNP Paribas	1 627 836	3,0%
Olesen Ole Morten	1 586 083	3,0%
Lin AS	1 502 275	2,8%
Olesen Consult HVAC AS	1 475 000	2,8%
Glomar AS	1 368 456	2,6%
DNB Bank ASA	1 315 718	2,5%
Ninas Holding AS	1 225 173	2,3%
Jakob Hatteland Holding AS	1 222 222	2,3%
Hako Ventures AS	1 112 431	2,1%
Idland Atle	1 090 491	2,0%
OKS Consulting AS	1 050 000	2,0%
The Northern Trust Comp	958 275	1,8%
Sortun Invest AS	949 937	1,8%
Clearstream Banking S.A.	945 107	1,8%
Yggdrasil Venture AS	787 220	1,5%
Sundvolden Holding AS	594 431	1,1%
Others	17 278 360	32,2%
Total	**53 627 977**	**100,0 %**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1 Remuneration to Management and the Board to the Group consolidated financial statements.

10.2 Share based payments

The company has a share option programme covering management and key employees. The option vests in the range of 0 - 2.5 years. The options may be exercised during the subsequent six months.

The fair value of the options were determined at the grant dates and expensed over the vesting period. MNOK 6,1 have been expensed as employee benefit expenses in the period (MNOK 4.2 in 2023).

	2024 Number	2023 Number
Outstanding options 1 January	**1 798 333**	**2 760 000**
Options granted	2 250 000	10 000
Options forfeited	-122 000	-731 667
Options exercised	-120 000	-240 000
Options expired	0	0
Outstanding options at 31 December	**3 806 333**	**1 798 333**
Exercisable at 31 December	0	0

The strike price for the options exercised was NOK 0.003. The share price at the time of exercise in 2024 was NOK 7,14 compared to the share price at time of exercise in 2023 of NOK 14.94.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2024 was 1,82 years (2023: 1.31 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 - 20.00 (2023: same).

Assumptions used to determine fair value of share option grants:

	2024	2023
Weighted average fair values at the grant date	5,32	12,00
Dividend yield (%)	0	0
Expected volatility (%)	37%	51%
Risk–free interest rate (%)	4%	4%
Expected life of restricted shares (years)	3,0	2,5
Weighted average share price (NOK)	12,78	25,76
Model used	BSM	BSM

The expected volatility reflects historical volatility for similar listed entities. Share-based payment valuations are considered Level 3 measurements under IFRS 13; for further details, see Note 4.7, Share-based payments, in the Group consolidated financial statements.

11.1 Trade and other liabilities

Trade and other liabilities	At 31 December	
	2024	2023
Trade payables	1 117	1 685
Other payables*	1 899	-
Public duties payable**	1 383	912
Other current liabilities***	1 476	997
Contract liabilities	-	-
Total trade and other payables	**5 875**	**3 594**

For further details see note 2.6 Trade Payables and Other libailities in Group consolidated financial statements.

* Includes accruals for expenses incurred but not yet invoiced

** Represents accrued liabilities for withholding payroll taxes and social security contributions

*** Represents provisions related to employee benefits, including accrued wages, holiday pay, and other compensation-related liabilities

12.1 Events after the reporting period

Desert Control AS assesses all significant information received up to the date the financial statements are authorized for issuance to determine whether events after the reporting period provide evidence of conditions that existed at the reporting date or indicate new conditions that arose subsequently. Events that provide further evidence of conditions existing at the balance sheet date are considered adjusting events, and necessary adjustments are made to the financial statements in accordance with IAS 10 Events after the Reporting Period.

For non-adjusting events that arise after the reporting period and do not relate to conditions existing at the reporting date but are material, their nature and financial impact are disclosed, or a statement is provided if such an estimate cannot be made.

As of the authorization date of these financial statements, no material events have occurred after December 31, 2024, that require disclosure or adjustment.

Non adjusting events

On January 6, 2025, our CEO, Ole Kristian Sivertsen, engaged in a share-based payment transaction by exercising

options that resulted in the issuance of 120,000 new shares in Desert Control. This event is a non-adjusting post reporting period event and, as such, the financial effects have not been recognized in the annual report.

There have been no other significant non-adjusting events subsequent to the reporting date.

Additional information

Statement of the Board of Directors and the CEO of Desert Control AS

Desert Control AS assesses all significant information received up to the date the financial statements are authorized for issuance to determine whether events after the reporting period provide evidence of conditions that existed at the reporting date or indicate new conditions that arose subsequently. Events that provide further evidence of conditions existing at the balance sheet date are considered adjusting events, and necessary adjustments are made to the financial statements in accordance with IAS 10 Events after the Reporting Period.

For non-adjusting events that arise after the reporting period and do not relate to conditions existing at the reporting date but are material, their nature and financial impact are disclosed, or a statement is provided if such an estimate cannot be made.

As of the authorization date of these financial statements, no material events have occurred after December 31, 2024, that require disclosure or adjustment.

Today, the Board of Directors and the Chief Executive Officer reviewed the 2024 Annual Report, which includes the Board of Directors' report, the consolidated and parent Company financial statements of Desert Control AS as of 31 December 2024.

The parts of the 2024 Annual Report that constitute the Board of Directors' report are indicated below.*

The Board of Directors' report for 2024 has been prepared in accordance with the requirements of the Norwegian Accounting Act and is structured in line with the guidance in Norwegian Accounting Standard No. 16.

In the opinion of the Board, the report provides a fair and accurate overview of the Company's business, financial performance, principal risks and uncertainties, and other relevant matters for the 2024 reporting year.

The consolidated financial statements for the Desert Control Group for the year ended 31 December 2024 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). These financial statements give a true and fair view of the Group's assets, liabilities, financial position, and results of operations.

The parent Company financial statements of Desert Control AS have been prepared in accordance with the Norwegian Accounting Act and the simplified application of international accounting standards pursuant to § 3-9 of the Accounting Act. These statements also present a true and fair view of the Company's financial position and performance as of 31 December 2024.

Sandnes, 08.04.2025

Lars R. Eismark Executive Chairman	**Marit Røed Ødegaard** Board Member	**Maryne Lemvik** Board Member
Ole Kristian Sivertsen Chief Executive Officer	**Roar Husby** Board Member	**James Thomas** Board Member

*In accordance with the Norwegian Accounting Act and Norwegian Accounting Standard No. 16, the following sections together constitute the Board of Directors' Report of Desert Control AS for the financial year 2024: Our business, Our markets, Corporate governance, Risk management, Board of Directors, 2024 Highlights, Financial performance, Year in review, Outlook, Forward-looking statements, and People and work environment. These sections are integrated across the report and collectively meet the statutory content requirements. All other sections are considered additional information not forming part of the statutory Board of Directors' report or annual accounts.

Auditor's report

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the General Meeting in Desert Control AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Desert Control AS (the Company) which comprise:

- The financial statements of the Company, which comprise the statement of financial position as at 31 December 2024, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information, and
- The financial statements of the Group, which comprise the statement of financial position as at 31 December 2024, the statement of comprehensive income, statement of cashflows and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2024 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note *1.2 Basis of preparation* and the section *Going concern basis of accounting* in the consolidated financial statements which describes the uncertainty regarding the Group's ability to continue as a going concern for the next 12 months. These events or conditions, as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other information

The Board of Directors and the Chief Executive Director (management) are responsible for the information in the Board of Directors' report. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the information in the Board of Directors' report. The purpose is to consider if there is material inconsistency between the information in the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or otherwise the information in the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stavanger, 8 April 2025
ERNST & YOUNG AS

The auditor's report is signed electronically

Gunn Helen Askvik
State Authorised Public Accountant (Norway)

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Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Askvik, Gunn Helen
Statsautorisert revisor
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IP: 147.161.xxx.xxx
2025-04-08 16:29:41 UTC

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Forward-looking statements

This report contains forward-looking statements related to Desert Control's business, financial condition, operational results, and industry developments. These statements are based on management's current expectations, estimates, and projections about future events and trends, including but not limited to market adoption, regulatory developments, financial performance, and strategic growth initiatives.

Forward-looking statements are inherently subject to risks, uncertainties, and assumptions that could cause actual results to differ materially from those expressed or implied. These include, among others, risks related to market conditions, competition, regulatory changes, technology validation, supply chain constraints, macroeconomic factors, foreign exchange fluctuations, and the ability to secure and scale commercial contracts.

Terminology such as "expects," "intends," "plans," "believes," "anticipates," "projects," "targets," or similar expressions indicate forward-looking statements. While Desert Control considers these assumptions reasonable, there is no assurance that they will be realized. Investors are cautioned not to place undue reliance on forward-looking statements, as actual outcomes may differ due to external factors beyond the Company's control.

Except as required by law, Desert Control assumes no obligation to publicly update or revise forward-looking statements in light of new information or future events. This statement is made in accordance with applicable securities laws, including Section 5-12 of the Norwegian Securities Trading Act.

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