

Desert Control Q4 2024 and YTD 2025 Company Update Presentation (Transcript)

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Welcome to the Desert Control Q1 2025 Company Update webcast. This presentation will cover the Q1 report and interim financial results for the fiscal period ending on March 31st, 2025. We will also share selected updates from Q2 2025 year to date.

A Q&A session will follow the presentation, and we invite you to use the Q&A function to submit your questions through the webcast. Before we begin the Q&A session, Desert Control Chair of the Board Lars Eismark will provide opening remarks and introduce our new CEO.

Good afternoon and good morning to all of you from around the globe who are joining this webcast presenting the Q1 2025 report. My name is Lars Eismark, and I'm the Chairman of Desert Control. As mentioned in my introduction in the first-quarter report, we've completed a quarter that was a satisfactory period for Desert Control.

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Satisfactory because we continue winning important customers across landscaping and permanent crops and because our pipeline grew with interesting opportunities. In particular, the wins based on our PACE model are proof of the beliefs in our solution and these wins are important to us. On top of this, the confirmation that our water conservation solution qualifies for incentive programs administered by the MWD and the LADWP marks an important milestone for Desert Control USA and I'm confident that this will spark further interest in our solutions.

So, all in all, a satisfactory quarter for Desert Control. The first quarter also gave me an insight into the opportunities ahead of us. We've embarked on a journey that holds massive potential.

Regardless of where we and our partners look, we need to sharpen the pen and ensure discipline in our go-to-market approach. We must base our go-to-market strategy on the successes and the momentum that we have right now. This means a stringent focus on the U.S. market, specifically in the states where we already have successful deployments and trials and specifically in the segments where we have proven success.

There are plenty of geographies, there are plenty of segments where our overall solution is highly relevant and attractive. We will go there in due time, but not before we have realized the attractive potential where we already are. Wherever we look, there are opportunities.

The addressable market is substantial. Our pipeline is full of leads and opportunities, and we must pursue closings while at the same time balancing our go-to-market efforts. The efforts will be focused and prioritized with discipline and most importantly, they will be accelerated.

Accelerated through new hires, centralized efficiency measures, launch of improved deployment capacity, etc. etc. So, there are a lot of positive things to look forward to.

On April 23rd, we announced the CEO transition from Ole Kristian Sitversen to James Thomas. Ole Kristian has been instrumental in driving Desert Control to where we are today. It's been a massive pull from Ole Kristian side and the energy that has gone into the firm is truly admirable.

Ole Kristian, you have walked all the extra miles one could possibly ask for and on behalf of the board, I want to thank Ole Kristian for his efforts and wish him all the best for the new adventures that awaits Ole Kristian and his family both in Norway and in Thailand. Thank you Ole Kristian and good luck. The board and I are immensely excited to see James Thomas taking over the baton from Ole Kristian.

James holds the skillset and the experience that is needed to migrate Desert Control into the next phase. With a solid track record, James has proven that he has what it takes to navigate Desert Control into a global company based on proven tech solutions, profitable market traction, global reach and organizational scale. The board and I wish James the best of luck as you are taking charge of Desert Control.

Q2 has kicked off as the first quarter. Lots of activity. I had the pleasure to visit our partner in Saudi. I have visited several customers in the U.S. where I also met new joiners in our organization, and much more is planned until the end of June. I look forward to hearing about my experiences and key takeaways. With these words, I hand it over to our new CEO, James Thomas.

Thank you, Lars. I appreciate that kind intro and I appreciate all you do to carry the mission of Desert Control forward because Desert Control is both a company and a mission and your passion helps bring the excitement of the company that I feel from the employees, and I feel myself. I shared a lot of my early thoughts in the letter that was released this morning, so forgive me if I hit some of those same highlights during the course of this conversation, but I think the company is really quite extraordinary and we have made some substantial progress and have, as Lars pointed out, a lot of opportunity ahead of us.

I thought I might also kick off with a brief thought on how I ended up becoming attracted to Desert Control and why I feel I am the right person to lead the company at this time. I do hope to get to know most of you over the course of the coming months and years, but I spent 30 years in the biotechnology venture capital business developing companies everywhere from a scientist in a conference room to acquiring existing assets that needed to be marketed and one of the things that attracted me to that process, frankly, was the ability of technology to transform lives and the ability of technology that transforms lives to build good businesses and I see both of those things in Desert Control and I'm excited to take the company on the phase from where we stand today to being a truly commercial company that truly does change lives. So, I used to say that I like to make margin and serve mission and Desert Control, I think, as a company that has those in spades.

The other thing that always attracted me in the biotech and other investing businesses is people. At the end of the day, we're investing in people, and I find the people at Desert Control, by few, dedicated, intelligent, intentionally quite committed and very credible, both internally and externally. Our customers and their co-workers all respect and I think very highly of them.

So, I wanted to touch on that because I think it's important if we all, you, me, the company and our customers, start this next leg in the Desert Control journey. One other thing that I want to do is make sure that I address something that attracts me about this company and that I spoke to in the letter. I see LNC as a foundational technology.

I think that we have seen already the benefits that LNC can bring to sandy soils, to slightly sandy soils, to mostly, you know, all the various grades of soil, but what we're beginning to see is the synergy benefits that LNC can bring to other parts of the soil ecosystem. So, I'm still looking for a good analogy and I welcome your thoughts, but I believe that LNC will turn out to be a technology that works very well on its own but is additive or is the base under which many of these other biotechnology or microbial technologies can be added. So, I just am really excited about the role that LNC can play both in the commercial world and in the broader world of environment and health and safety.

So, with that, let me jump into the presentation at hand. I have today with me, in addition to Lars, we have Leo, our CFO. We also have Marty Weems, who's our Managing Director for the U.S. and we have Jan Vader, who is both the Chief Innovation Officer and our leader in the Middle East, and they will be available during the Q&A session.

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I think that many of you are very familiar with the Desert Control story, and I don't want to spend a tremendous amount of time on this slide, but to the extent that we do have new people with us, Desert Control specializes in nature-based solutions to combat desertification, soil degradation, and water scarcity.

Liquid natural clay enables thirsty soils to retain water, nutrients, and improve soil health. Our clients already span agriculture, landscaping, and forestry and I think it will expand to other uses and our solutions have proven to save water frequently as much as 50%, but certainly 25% and improve health of the soil and crop yields. I think this is an area that you're going to hear more and more about from us.

I think the science that we've developed and are developing in the field in our labs in Norway will continue to round out the many benefits that we've seen through LNC.

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Our situation is that we have too much to do to be perfectly straightforward. The market opportunity and the opportunity for the product both in established markets and emerging markets is too big for us to tackle today. It's exciting because it provides almost infinite runway, but in the near term, you will see us focus very heavily on our markets in the Middle East and U.S. where we have established operations.

With 110 countries who are exposed to desert location and hundreds of millions of hectares of potential, we really need this company to focus down right now and execute in our immediate priorities

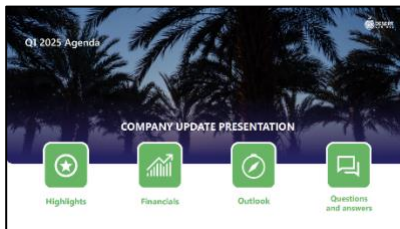
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One of the challenges that this technology has had over time is, frankly, making it. We have had breakthroughs in this last several months and, frankly, last several quarters that now put us in a position to make sufficient quantities of high quality LNC to begin to attack our large commercial opportunity. So, I think we'll touch on that in a later slide.

But, and I emphasized it very much in my letter, I believe that we are going to be production-constrained, not customer-constrained in the very near future. And that's a function of all the traction that we're seeing in landscaping, in golf, in agriculture, and other places that customers are really welcoming us in, including the World Food Program.

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This is the basic structure of the company presentation that we have had for the last several quarters.

We'll be going through the highlights. Leo will pick up for the financial review. I'll come back to finish with our priorities and an outlook for the rest of the year, and then we'll go to the Q&A session.

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So, what have we been up to? Well, you've seen a number of this in our press releases, but we have had, as Lars articulated, a very active period in the first quarter. We most notably delivered our largest application ever at Oasis States, where we treated 9,000 trees with LNC. And I think you'll hear over time that those results are quite promising.

We achieved record levels of production, record levels of sustained production, and record levels of delivery of the product to the trees. I think both we and the customer are quite happy with that outcome. We also had pilot at Woodland Hills go well, and ultimately in the second quarter, we did the full deployment in our first hall golf course.

And I think that is an extraordinary achievement for a company of this size and scale and maturity. And I think it's really important that we talk directly about the water savings rebates with the Metropolitan Water District and the L.A. County Water District. I both want to make a big deal of these and not too big a deal of these.

The direct effect for customers in the L.A. Water District is substantial, and we saw that at Woodland Hills. The quantity of money available for landing rebates is up to 50% of the cost of our product. And so it's a really important door opener in those areas, and there are multiple golf courses in those areas and in the broader Metropolitan Water District.

But it is what I hope will be the first of many, because there are programs reimbursing water savings technology across the American Southwest, across America, many in the Middle East and other parts of the world. So I look at the win at the Metropolitan Water District and the L.A. Water District as indicative of our ability to get governments to buy into the value of L&C almost as much as the simple fact it will open doors for us with golf courses that fall in those places. I think you're going to hear more about the Middle East, perhaps a little bit later in the Q&A, but we had our partners, I want to be very clear, they're our partners, both Soil and Saudi Desert Control, had very active first parts of the year and are setting up, I think, for a lot of success later in the year.

And on the technology, you know, I'm probably making more of this in some ways than the team would be comfortable, because they're humble. But the advances we've made in production technology are really, really important to us and will enable the growth that I hope to drive through this company. And the research team, while small and quiet, is really pushing forward the boundaries of where this technology can be applied.

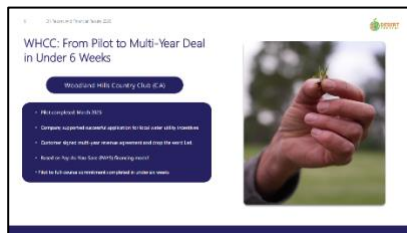
And I think we will continue to see markets expand, addressable markets expanded for L&C, both in the U.S., Middle East, and around the world.

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So, just a quick update here. I think this is well on the marketplace, but this was a major undertaking for our operations crew, and they executed it extremely well. And all the initial reports from the customer are quite happy

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So, this is also something that I think we've touched on a lot, but it's really important. Because, as this slide points out, this deal came together from a pilot to an application of a multiyear revenue sharing agreement in six weeks. And we are not going to get that sales cycle time with all of our customers, but I know that all of us at Desert Control and many of you on the phone call today have been frustrated by the length of the sales cycle that some of our customers will take. So, I just want to point out that when the stars align, as they did at Woodland Hills, this is a club that has a high cost of water, that knows they need to address it, that was interested in technology, and then the L.A. Water District, the Metropolitan Water District, was icing on the cake.

I also want to emphasize, and I did emphasize this in the letter, that I love the PAYS model. And this is our first real PAYS model, and I'm hoping to do many, many more. I think the PAYS model is good for the customers because it reduces their entry risk, which shortens sales cycle.

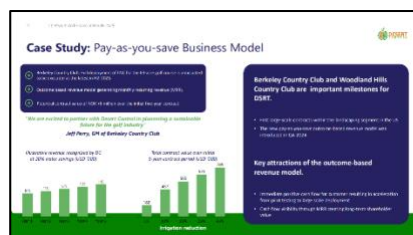
I think it's good for us because it forces us to put our money where our mouth is. And I think it's good for us because by taking on that extra risk, I think we're going to make significantly more money on our PAYS contracts. No offense to the guys who want to pay up front, happy to have plenty of those too, but I really do like this PAYS model.

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I think here we've touched on most of this already, so I won't dwell on it, but it's an important win. And as I say, it provides a lot of upside in that regional area where there are 19 million people and a whole lot of golf courses. But I view this as much more of a front end or sharp end of the spear, and we and the team continue to focus on our areas where we can bring this value to clients.

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So, this slide brings up our momentum in the Middle East, which I think I covered some of earlier in my piece, but it's easy to kind of lump the Middle East as the Middle East or the UAE is the UAE or Saudi is Saudi. But I think what you see on the slide is the diversity of customer types we're addressing across the region. And frankly, the scale of the diversity of the customer types.

Some of these places are good sized residential real estate. Some of these are golf courses. Some of these are quantities of park acreage or forests that are just almost inconceivable in my daily life of chasing customers in the U.S. So, we had a good start to the year in the Middle East.

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The United Nations Food Program.

This is something that I am so excited about from a mission standpoint. I'm so excited about it from a credibility because this is not an easy thing to break into. And I'm so frustrated about because we haven't already put a lot of LNC in all kinds of parts of the world that we need to do it.

But what's important here is we're about to really deploy LNC for the first time under the World Food Program. And in the first quarter, our partners in this project did the underlying readiness preparation work. We have, I think, and you can hear that from Yon, finally gotten the visas and all of the other logistics sorted out.

And we should be able to avoid this in the coming weeks. But super exciting. And again, one of those things that's the beginning of a big effort rather than the end in itself.

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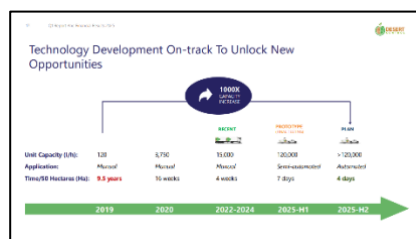
Back to production. How excited I am about production. I don't know how many times I'm going to say this today on this call, but I'm excited about production.

And this is, I think, hopefully going to give you that sense. We make the product. We've been making the product for years.

We're good at making the product. We started making it in the large tractor trailer driven units. They're perfect for certain applications, but you don't want to pull up in a residential neighborhood in LA with two tractor trailers and a whole big crew and start spraying LNC and be there for a week or more.

We're so excited about the next generation prototype because this is a product that will, or system that can be deployed on a pickup truck or two, because some places we're going to need two, and can get into areas that a tractor trailer could never get into and produces almost six times as much material, sometimes eight times as much material as the existing Oasis unit. So I really can't emphasize enough how important this is to us. And I cannot wait to get these things built and deployed both in the U.S. and with our customers in the Middle East.

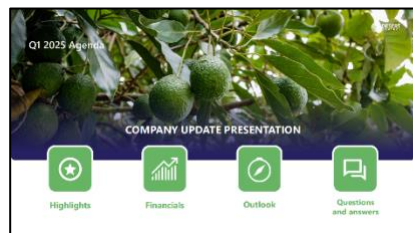
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And I think this slide, and I think you've seen this slide or a version of this slide before, this is a game changer. And this is something that I think we are going to see. And we're now in this prototype phase, the semi-automated phase.

As any good technology company, we should see continued evolution in our technologies across both their applications and their production. So the team is not stopping or resting here, but I think you will see us get these units deployed and then move to units that have even larger capacity. And frankly, some that may have smaller capacity and are yet lighter again for certain jobs, where whether it's a shopping center or other kinds of places, mobility is more important than throughput.

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So we find ourselves more than midway through the presentation. I hope that gave you a sense of my thoughts on how the company is doing and some of the highlights of the last period. I'm going to turn it over now to Leo for the financials.

I will come back briefly for the outlook and then we'll get to your questions.



Thank you, James. And good afternoon to you all. The figures are shared in detail in the financial report published earlier this morning. These financial key figures will be covered in more detail in the following slides. In Q1 2025, Desert Control continued to progress in operational scaling, where the company executed its largest commercial LNC application to date.

Revenue grew compared to Q1 2024, supported by increased LNC deployments and the start of a new licensing royalty streams. Underlying EBITDA remains broadly unchanged year on year, reflecting stable operational performance. The wider net loss primarily reflects higher depreciation and finance costs.

The company closed the fourth quarter with a positive cash balance of 43 million and has no interest bearing debt.

Consolidated Statement Of Comprehensive Income

	Q1 2025	Q1 2024	Q4 2024
Revenue	1.1	1.1	1.1
Cost of sales	(0.3)	(0.3)	(0.3)
Gross profit	0.8	0.8	0.8
Operating expenses	(0.2)	(0.2)	(0.2)
Operating profit	0.6	0.6	0.6
Finance costs	(0.1)	(0.1)	(0.1)
Depreciation and amortisation	(0.1)	(0.1)	(0.1)
Net loss	0.5	0.5	0.5

Revenue from sales in Q1 also includes licensing royalties. For further details, please refer to note two.

Momentum in licensing activities across the Middle East also remained positive, although operational output was temporarily impacted by seasonal factors. We're pleased that our negative operating results remained stable year-over-year, underscoring our strong discipline in managing operational costs. At the same time, we have strategically increased other operating expenses, particularly in the US, to accelerate scaling for larger projects, enhance production capacity and drive market development.

The company's financial position remains solid. As of the end of Q1, we hold 43 million NOx in cash and cash equivalents, with an equity of 58.6 million, equivalent to 89.4% of total assets. We carry no interest bearing debt.

Our liquidity is sufficient to fund current operation and plan initiatives, though we now anticipate our financial runway extending into late Q3 2025 rather than Q4. We will continue to exercise prudent cost management and closely monitor market conditions to preserve stability and mitigate risk.

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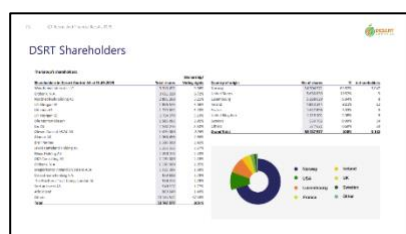
Consolidated Statement of Cash Flows

	March 31, 2023	March 31, 2022
Cash flows from operating activities	\$1,100,000	\$1,100,000
Net income	\$1,100,000	\$1,100,000
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	100,000	100,000
Change in accounts receivable	(50,000)	(50,000)
Change in accounts payable	50,000	50,000
Change in other assets and liabilities	(50,000)	(50,000)
Cash flows from investing activities	(100,000)	(100,000)
Capital expenditures	(100,000)	(100,000)
Cash flows from financing activities	0	0
Net change in cash	\$1,000,000	\$1,000,000
Cash at beginning of period	\$1,000,000	\$1,000,000
Cash at end of period	\$2,000,000	\$2,000,000

Operating cash flow now reflects only continued operation, adjusted for depreciation and amortization, underscoring our disciplined cash-centric approach.

In Q1, cash flow patterns were in line with expectations and prior quarters, with no material variances and no new significant capital introduced during the period. To get additional information about the Desert Control share and the top 20 shareholders.

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Please visit our web page, desertcontrol.com/investors. Come back to you, James.

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Outlook Strategic Priorities For 2025

- U.S. Golf & Landscapes**
Expand our U.S. footprint in golf and landscaping, focusing on high-quality, sustainable solutions for golf courses and commercial landscapes.
- U.S. Agriculture**
Expand our presence in the U.S. agricultural market, focusing on high-quality, sustainable solutions for permanent crops and turf management.
- Middle East**
Expand our presence in the Middle East, focusing on high-quality, sustainable solutions for permanent crops and turf management.
- Technology**
Expand our presence in the technology market, focusing on high-quality, sustainable solutions for turf management and landscaping.

So I would like to just close the formal part of the call with a review of the strategic priorities for 2025. And hopefully, we've done a good job on this call and over communicating the past, and these will be not a surprise to any.

We are intensely focused on executing against our current technology and against our current markets. So expect us to continue to make progress in golf and turf management. I think we will see more golf courses come sign up this summer for deployment this fall.

We will continue to work very heavily in the permanent agricultural area. We've seen us succeed in dates. I think we'll succeed in other permanent crops, and that will remain a focus across the American Southwest.

In the Middle East, we are very focused on supporting our licensed partners. We have two very high-quality licensees in two of the most attractive territories, frankly, in the Middle East. And we will do nothing more than continue to assist them in getting LNC more widely adopted.

From a technology standpoint, from a broken record, we're focused on getting the prototype machines into production and getting the basic research expanded beyond most same soils, as we already have, and the somewhat same soils and the further types of soils and developing other attitudes that allows us to work with soil types and water types that we find all over the globe. So intensely focused on those things we're already articulating. And I think that the concluding view that I have is we have a strong pipeline, we have contracts, we have partnerships, we have a revenue model, as I articulated in the phase and in the up front, what I like, and that we're on track to grow this company exponentially this year, tenfold versus 20.4, and I think that we will be able to grow this company in multiple levels produced.

Q: ¿Will you, as CEO, be working for the company in the office in the U.S.?

A: I'll say what I said to the staff. We're a small global technology company, and I will be working everywhere. I intend to spend more time in the United States because it's our biggest and most commercial market, but I will be spending plenty of time in Norway and in the Middle East as we drive this business forward.

Q: ¿what are your takes from visiting Saudi Desert Control recently? And ¿why is the revenue stream from SDC so low considering the larger scale partnership projects?

A: Sure, I'll be happy to. Yeah, I am actually in Abu Dhabi right now to meet with our partner in the UAE, and heading up to Saudi on Thursday to meet with our partner there. we'll get the first-hand information, but basically just start with the Saudi.

I mean, it's worth keeping in mind that we obviously started a few years later in Saudi than we did in the U.S., and even more so than in the UAE. In spite of this, we have made good progress between Saudi Desert Control and our partner, Soyl. We do have several strategic pilots running within tree nurseries, within turf farms, within landscaping, public parks, and agriculture date palms.

we have managed to get the traction going with what we often refer to as stage one pilots. We do have a stage two commercial pilot in a public park, and we're about to start on a turf farm run by Saudi Desert Control this quarter. So, the momentum is absolutely there.

In UAE, we are slightly further ahead, and although Q1 was a little bit slower operationally, there's been a lot of new projects initiated and secured within the landscaping sector, which has been particularly strong here. So, we're continuing pilots also within agriculture and date palms, but most of the business that we see in the next few months will be in the new landscaping sector. So, I think, Lars, you were recently in Saudi just a few weeks ago. ¿Maybe you want to add a bit specific to that?

Yeah, so I spent a few days with our team and our partners in Saudi, and I have to say I was immensely impressed with the energy. I am immensely impressed with the network that our partner colleagues hold in Saudi. I had the pleasure of meeting a few very large customer prospects and let alone the scale of the market and the potential that these customers, they hold are immensely attractive.

And needless to say, these people are also on a mission as we are. This is about water savings, and I'm really, really positive around the priorities, the go to market approach that our Saudi colleagues, they are having right now. So, it was a very positive experience and look forward to both seeing our friends again in Saudi, but also our partner colleagues in the Middle East, or sorry, in the UAE. It was a good experience.

Q: ¿have you considered listing the company in the U.S.? Now we're hidden in the backyard of the Norwegian Stock Exchange, while customers and most of the investors are international.

A: So the question of where is the right place for Desert Control to be listed and to attract the most shareholder interest is one that we're acutely aware of. We have a Norwegian heritage. We went public on Euromext with the business evolving as it is.

We certainly are always considering whether an uplisting or a dual listing or a cross-listing would make more sense and enable more shareholders to participate in the story. And I think all of that is a question of time. I mean, today we are so intently focused on the business that trying to figure out whether to do a list with New York, which would be expensive and time-consuming and frankly, distracting at this point.

I don't think that makes sense, but over time as the business grows and as the business becomes more global, frankly, not just U.S.-centric, but more global, we'll have to address the Euronext listing for sure.

Q: How many golf courses are awaiting regulatory approval from the Metropolitan Water Department or Los Angeles Water Department? And when we can expect a response to these applications?

A: And great question to have. At this point, because we've been through the process with both MWD and LAWD one time already, we know both the length and the brevity and how to navigate that much better. So we're in active negotiations or conversations with a good number of golf courses in the area of 19 million people there in Southern California, which is really quite exciting. But the even more exciting to me is the fact that the PAYS model works financially for us and the customer without the incentive programs.

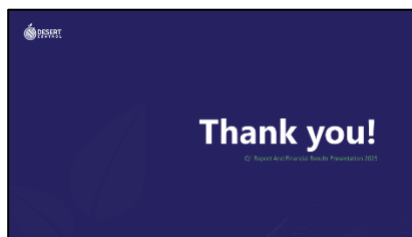
So we continue to seek customers well beyond that and we'll continue to do so. A great example is Berkeley. The customer there is quite excited about what they see through our trial program there. And there's no incentive rebate there, but they still see tremendous upside in working with us.

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I will ask you to take note of our cautionary note as a public company, this is a standard slide for all of us, which I'm sure you're familiar with. But the team is excited and we are open to questions that you may have not in this forum. So we look forward to reporting in the second quarter.

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Thanks very much.