# Annual Report 2025

DESERT CONTROL

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## Chairman's message

Dear Shareholders,

It is my pleasure to welcome you to this year's annual report, presented in a shorter and more focused format. Much like our strategy, this condensed version emphasises what truly matters—our performance, our priorities and focus, and the progress we are making toward our long-term vision.

As we reflect on the past year, one theme remains constant: disciplined focus. While there are many geographies around the world that could benefit from Liquid Natural Clay (LNC), we continue to concentrate our efforts on the American Southwest and the Middle East. These regions offer the most attractive combination of need, scalability, and strategic alignment with our capabilities. By sharpening our geographic priorities, we position ourselves to deliver stronger impact and sustained growth.

Our commitment to innovation has also sharpened this year. We have made meaningful investments in developing new production units that should allow us to serve more prospective customers. These innovations not only strengthen our portfolio today but also open new avenues for future expansion. They reflect our belief that long-term success comes from anticipating evolving needs and delivering solutions that lead the industry forward.

Even more important are the investments we have made in our people. We welcomed new talent across key functions, bringing with them fresh expertise, deeper operational strength, and a shared passion for our mission. These additions significantly enhance our ability to execute our strategy at scale and reinforce the culture of rigor, creativity, and accountability that defines our company, while at the same time being close to our main customers and markets in the U.S.

The most notable change in people occurred in April when James Thomas became CEO. As the Company enters a new phase of revenue growth in the U.S. and Middle East, we are immensely excited to have James at the helm. The Board and I are confident that under James's leadership, Desert Control is well positioned for the next chapter of its journey.

In 2025, the Company strengthened its capital position through a fully subscribed rights issue, providing additional flexibility to execute our focused commercial strategy. Based on the FY2025 year-end update, the Group ended the year with cash of NOK 62.5 million and no interest-bearing debt. This financial position supports continued execution and measured scaling in 2026, while maintaining the Board's emphasis on discipline and capital efficiency.

In summary, Desert Control's outlook is bright. I am confident that the combination of our focused strategy, strengthened product offerings, and expanded team puts us in a strong position for continued success. The opportunities ahead of us are substantial, as global demand for water-efficient, sustainable agriculture solutions continues to rise. By capitalising on the breakthroughs achieved in 2025 and relying on a prudent growth strategy, we believe Desert Control can deliver significant value for all stakeholders while advancing our mission to combat desertification and water scarcity.

***Lars R. Eismark, Chairman of the Board***

## CEO's message

Under new leadership in 2025, we sharpened our strategic focus, strengthened operational discipline, and advanced LNC. The year was defined less by expansion into new territories and more by concentrating resources where we have demonstrated traction and where the commercial logic is strongest.

During the year, we executed the largest LNC applications in the Company's history. In Southern California, we completed a 160+ acre deployment in date palms, representing our most extensive agricultural project thus far and in Los Angeles we applied 3.5 million litres of LNC across 43 acres of turf in our first full golf course treatment Also in the golf segment, we transitioned from pilot to multi-year revenue agreements under our Pay-As-You-Save model, establishing early commercial validation of outcome-based structures in high water-cost regions. These deployments as well as others demonstrated increased production capacity, improved field execution, and compatibility with large-scale irrigation systems. Our approach remains grounded in measured validation, disciplined execution, and transparent performance assessment.

Throughout 2025, we narrowed our geographic and segment priorities. We concentrated our direct efforts in the American Southwest adding headcount and other resources, particularly California and Arizona, while continuing to support licensed partners in the Middle East. This focus reflects a conscious decision to capture value where we have demonstrated success before pursuing broader expansion. During the year, we announced plans to consolidate laboratory research activities in the U.S. to improve customer proximity, accelerate field troubleshooting, and enhance operational efficiency. Engineering capabilities related to production technology remain anchored in Norway, preserving technical continuity while aligning commercial and research activities more closely with our primary market.

The year was not without setbacks, namely a customer application that did not go according to plan. In response to this situation, we owned our mistakes and examined all aspects of our field work and, as a result, we improved several aspects of our operations by implementing equipment modifications, strengthening operating protocols, and reinforcing quality control procedures. This hard work and redesign allow us to be back in the field with even greater confidence in LNC, the production process and the team.

Financially, the Company continued to operate in an early commercial phase. For FY2025, the Group reported revenues of NOK 2.6 million and EBITDA of NOK (67.2) million, reflecting continued investment in market development, production capacity, and research activities. The Group ended the year with a cash balance of NOK 62.5 million and no interest-bearing debt. In the third quarter, we completed a fully underwritten NOK 75 million rights issue, strengthening equity and liquidity to support operational ramp-up and near-term commercial expansion. Revenue development during the year reflects both the early stage of commercialisation and the nature of performance-based contracts, where revenue recognition depends on verified savings and measurable outcomes.

As a result of the hard work and recruiting, Desert Control entered 2026 as a more focused and operationally mature company. We have demonstrated the ability to execute larger-scale deployments, strengthened production and delivery systems, and concentrated on permanent crops and high-value turf where water efficiency delivers clear economic value. We have delivered significantly more pilots this year to date versus all of 2025 and have deployed more than five million litres of LNC so far this year. To be clear, there is still a great deal of hard work to be done, but the momentum has clearly shifted and we are in growth mode again.

I would like to thank our employees, partners, customers, and shareholders for their continued commitment during this important phase of our journey. Desert Control operates at the intersection of climate resilience and commercial pragmatism, and we remain committed to advancing with focus, discipline, and integrity.

***James E. Thomas,***
***Chief Executive Officer***

# Board of Directors' Report

## Year in review

### Strategic Expansion

In 2025, Desert Control transitioned from validation-driven pilots to disciplined commercial expansion in select, high-impact markets. Our strategy was focused on scaling in geographic regions and in customer segments where LNC has demonstrated measurable value.

In the U.S., we deepened our presence in California and the broader Southwest, prioritising high-value permanent crops and golf courses operating under water constraints. These projects strengthened our commercial credibility and created reference cases to support further market penetration.

In the Middle East, we continued to scale through licensed operator partnerships. This approach allows Desert Control to leverage local expertise and relationships while maintaining technological control and quality assurance.

Strategic expansion in 2025 was therefore characterised by concentration rather than diversification. We prioritised execution discipline, repeatable delivery models, and outcome-based commercial structures before entering new geographies. This measured approach positions the Company for broader expansion once operational maturity and recurring revenue streams are further established.

### Operational Excellence

A key milestone in our operation journey was the development of the Next-Generation LNC Production System, which should allow increased output capacity and improved delivery efficiency for large projects in both agriculture and turf. The enhanced production capability should lead to more efficient labour use overtime as well.

We announced plans to consolidate laboratory research activities in the U.S. to improve customer proximity and accelerate field troubleshooting. This organisational alignment supports faster feedback loops between R&D and commercial operations, ensuring continuous improvement in both formulation and application methods.

2025 was not defined solely by successful deployments, but by the institutionalisation of stronger processes, technical capacity, and execution discipline. These foundations are critical to support sustainable commercial growth in the years ahead.

## Financial Performance

### Key Figures

| NOK, million | Full year 2025 | 2024 | Change |
|---|---|---|---|
| LNC Revenue | 2.5 | 1.9 | 0.6 |
| Licensing Royalties | 0.1 | 0.3 | (0.1) |
| **Total revenue and other income** | **2.6** | **2.2** | 0.4 |
| Salary and employee benefit expenses | 31.4 | 32.6 | (1.2) |
| Other operating expenses | 37.2 | 26.9 | 10.2 |
| Depreciation and amortisation | 3.4 | 5.1 | (1.8) |
| **Operating profit or loss** | **(70.5)** | **(62.8)** | (7.8) |
| Net financial items | (7.9) | 8.1 | (16.0) |
| **Profit or loss for the year** | **(78.5)** | **(54.7)** | **(23.7)** |
| **EBITDA*** | **(67.2)** | **(58.2)** | (9.5) |
| **Profit / (Loss) for the Period** | **(78.5)** | **(54.8)** | (23.6) |
| **Cash and cash equivalents** | **62.5** | **63.6** | (1.1) |
| **Equity at 31 December** | **78.5** | **74.8** | 3.7 |
| **Equity Ratio** | **90%** | **92%** | -1% |

### LNC revenue and licensing royalties

Growth in LNC revenue was driven by increased customer engagement in the U.S. while decline in Licensing Royalties was driven by reduced activity in the Middle East.

### EBITDA *

EBITDA changes included a material amount of non-recurring expenses related to the restructuring of the Norway R&D operations and the transition of activities to the U.S., partially offset by a reduction in salary and employee benefit expenses.

### Cash flow and cash position

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

## Our business

### Overview

Desert Control's business model is centered on delivering measurable water savings and improved soil performance through its proprietary LNC technology. The Company monetizes LNC through a combination of direct services, recurring outcome-based contracts, and partner-based licensing, depending on geography and customer segment. The model is designed to support scalable growth while maintaining capital discipline.

### Value Proposition

Desert Control provides customers with quantifiable economic and environmental return by reducing irrigation water consumption, improving soil water and nutrient retention, and supporting crop yield stability and turf quality. The Company's commercial offering is positioned as a soil and water efficiency solution rather than a fertiliser or chemical input. Results depend on site-specific conditions, and solutions are customised accordingly.

### Revenue Models

In the U.S., Desert Control primarily operates a direct-to-customer service model. Under this approach, the Company produces LNC on-site using proprietary production units, applies LNC using its own crews and equipment, and delivers turnkey soil treatment projects to customers. Revenue under this model is generated through one-time project fees and, in certain cases, multi-year service agreements.

### Pay-As-You-Save Model

For selected customers, primarily within the golf course segment, Desert Control offers a Pay-As-You-Save (PAYS) model. Under this structure, customers make no upfront payment, and the Company is compensated over time through a share of verified water cost savings. This model lowers adoption barriers for customers while aligning Desert Control's compensation with delivered results and creates recurring, outcome-based revenue streams. Revenue recognition under this model is dependent on the verification of water savings in accordance with contractual terms.

### Licensed Operator Model (Middle East)

In the Middle East, Desert Control operates through licensed partners that are responsible for local production, application of LNC, and customer engagement. Under this capital-light model, Desert Control generates revenue from licensing fees or royalties linked to deployed LNC volumes, sales or leasing of LNC production equipment, and the provision of technical support and training services. This structure enables geographic expansion with a capital-light footprint while allowing the Company to retain control over core technology, quality standards, and brand. As more recent events in 2026 have demonstrated, this region is particularly prone to geopolitical risks which can sometimes dampen business prospects.

### Sales and Delivery Process

Desert Control's commercial engagements follow a process beginning with an assessment of soil conditions, water usage, and economic potential at the customer site, followed by the design of a tailored LNC treatment plan. LNC is then produced on-site and applied under controlled conditions. Post-application, the Company monitors outcomes related to water usage and soil performance, where applicable, and bills customers in accordance with the agreed contractual structure, which may be one-time, recurring, or outcome-based.

### Partnerships and Strategic Collaboration

In addition to licensed operators, Desert Control collaborates with research institutions, universities, utilities, and public bodies. These collaborations support technology validation, development of new use cases, and access to incentive or rebate programs. Certain pilot projects may be partially grant-funded or co-funded and are considered strategically important for future commercialisation.

### Scalability and Capital Efficiency

The business model is designed to scale through modular, high-capacity LNC production units, standardised deployment processes, and partner-led expansion in selected regions. Capital intensity is managed by limiting fixed asset expansion ahead of demand, leveraging partners for local execution, and prioritising markets and segments where commercial traction has been demonstrated.

## Our markets

### Global Market Context and Opportunity

Desert Control operates in a global arena where desertification, drought, and soil degradation present urgent challenges – and sizable opportunities. Water scarcity is a global problem comprising a $100+ billion addressable market for water and soil technologies. Our approach is to phase our expansion, focusing on key regions in stages:

### Stage 1 – North America and Middle East

These were our initial target markets and remain the core focus in 2025. In North America, we concentrate on the American Southwest where extensive agriculture and turf (golf) industries have been strained by drought. California, in particular, is differentiated from other regions because of its very high, and growing, cost of water.

The Middle East (particularly the Gulf region) offers vast areas of arid land where water is precious, and governments like the United Arab Emirates (UAE) and Saudi Arabia are investing in sustainability. Desert Control, working with licensed operators, Soyl in the UAE and Saudi Desert Control in Saudi Arabia, is helping to green landscapes and support food security initiatives.

### Stage 2 – Expansion to Additional Comparable Markets

Once firmly established in our Stage 1 regions, we plan to expand to other sandy soil regions facing water shortages, such as Australia. Other potential Stage 2 markets might also include Southern Europe and parts of Africa where irrigation is critical. During this stage, we intend to use the playbook developed in the U.S./Middle East – combining direct projects, licensing, and showcasing proven results – to win entry.

### Stage 3 – Long-Term Global Reach

In the long term, Desert Control's vision is to be a global solution provider wherever there is sandy soil and a need for water conservation. This could encompass additional regions such as Central Asia, South Asia (India/Pakistan), China's desert provinces, and beyond. By this stage, we anticipate having a robust network of partners or possibly regional subsidiaries that can deliver LNC solutions locally.

### Primary Market Focus Areas

#### United States (Southwestern States)

Currently, our primary markets are in the Southwestern States where we focus on high-value permanent crops (e.g., dates, citrus, almonds), golf courses and resorts, and municipal landscaping. Desert Control has focused on building reference cases in golf and high-value permanent crops in California and Arizona. The U.S. market is attractive due to its size and the financial value of water savings; however, it requires demonstrating ROI and working within local water policies. Hence our focus is in areas with water restrictions or high costs, where LNC's value proposition is strongest.

#### Middle East, namely the Gulf Cooperation Council countries

In the Middle East, there is a focus on government-driven greening projects, agriculture and landscaping for new developments. These markets are characterised by supportive government projects which emphasise sustainability – a favorable environment for LNC adoption. Success here often hinges on aligning with public sector initiatives and proving LNC's effectiveness under extreme heat and saline water conditions, which we are actively doing through ongoing trials.

### Market Drivers and Policy Tailwinds

Across all our markets, Desert Control benefits from macro drivers: increasing water scarcity, rising costs of water and fertiliser, and growing awareness of regenerative agriculture. These drivers create a tailwind for LNC solutions. For instance, California's chronic drought situation led to water agencies offering rebates for water-saving technologies – a program under which our solution now qualifies. Similarly, Middle Eastern governments are investing in technologies to reduce agricultural water use and combat dust storms by stabilising soils.

## Our strategy

### Strategic Overview

Desert Control's strategy is to commercialise LNC technology at scale through focused market entry, partnership leverage, and continuous innovation, while maintaining financial and operational discipline. Key pillars of our strategy include:

### Focus on High-Impact Use Cases and Early Adopters

Rather than attempting to serve all potential markets at once, we concentrate on those sectors where LNC delivers the most immediate and clear value. In practice, this has meant prioritising golf and turf management and premium agriculture in regions with water scarcity. These segments experience acute pain points (e.g., expensive water, pressure to conserve, or yield limitations) that LNC can solve, making them more likely to adopt quickly. By demonstrating success in such use cases, we build credibility that can spill over into other sectors. Our strategy is to create reference projects that showcase tangible benefits, which in turn drives broader market acceptance.

### "Land and Expand" Through Strategic Partnerships

Partnerships are central to accelerating our reach. In the Middle East, our licensed operator model lets us land in a country with a capable local partner and then expand through their networks. We provide tech and know-how; they provide market access and execution. We intend to consider replicating this model in other regions in coming years. In the U.S., while we operate directly, we still seek strategic alliances – such as collaborations with irrigation companies, landscapers, or government programs – to integrate LNC into broader offerings and recommendations. Overall, the strategy is to embed Desert Control's solution within the value chain of water and land management, using partners to amplify our market penetration.

### Innovative Business Models to Reduce Adoption Barriers

Acknowledging that upfront costs can be a barrier for customers, Desert Control has deployed innovative models like PAYS for golf courses. Our strategy is to align our revenue with customer outcomes – meaning we win when the customer wins. This builds trust and makes adoption easier, as evidenced by Woodland Hills CC converting from pilot to a multi-year contract under PAYS in 2025.

### Continuous Research, Development, and Technology Advancement

Maintaining a technological edge is crucial. Our R&D strategy has two prongs: improving the LNC formulation and application process and scaling the production technology. Regarding formulation, we are continuously testing adjustments to the clay mixture to suit different soil types and climates. On the production side, 2025's roll-out of next-gen LNC production units was a direct outcome of this strategy. We also invest in data collection innovations and scientifically document results, which support both marketing and further product development.

During 2025, the Group initiated the relocation of its research and development activities from Norway to the U.S. The Norway R&D laboratory was reduced in 2025, with formal closure completed in early 2026. This transition positions R&D operations closer to Desert Control's primary commercial markets and customer base in the American Southwest, enabling faster iteration between laboratory research and field application.

### Field research and scientific development

Desert Control's R&D teams advanced laboratory experiments and field trials investigating the combined impact of LNC with microbial inoculants, studying how beneficial microbial communities interact with LNC-treated soils to enhance fertility, nutrient retention, and water-use efficiency. In recent grass trials under induced drought conditions, the combination of LNC and a microbial inoculant significantly improved microbial diversity and root health compared to both control and single-treatment plots.

The year also saw the initiation of collaborative research activities with the University of Stavanger under the FORREGION Rogaland programme. The project uses advanced analytical tools for in-depth studies and fine-tuning of LNC application across different soil environments.

### Capital Discipline and Scalable Growth

Strategically, Desert Control is pursuing growth with an eye on capital efficiency. We scale in a modular way – adding production units, team members, and regional coverage as demand grows, rather than overextending. The funding strategy approved by the Board involves raising capital in step with milestones. Additionally, we continuously seek non-dilutive funding like government R&D grants and customer co-funding to supplement our resources. Our financial discipline is evident in the relatively stable operating costs maintained through 2025, even as field activities increased. This approach allows us to scale sustainably, avoiding the pitfalls of rapid expansion that outpaced financial health. We have clear internal targets for burn rate and milestones for when to activate new funding rounds, which are closely monitored.

### Strategic Summary and Forward Focus

In essence, Desert Control's strategy is centred on proving the value in focused markets with strong execution and customer ROI, then expanding through partnerships, smart financing models, and continuous improvement of our technology and operations. The year 2025 tested and validated many aspects of this strategy. As we move into 2026, we plan to double down on what worked. We will keep our organisation lean, customer-centric, and mission-driven, ensuring that every initiative, whether it's entering a new region, onboarding a partner, or tweaking our product, aligns with delivering measurable impact and building a profitable enterprise.

## Outlook

Desert Control enters 2026 with clear priorities and a stronger operational foundation than a year ago. Key focus areas for the year ahead are as follows:

**U.S. commercial execution** – The Company has already announced a record 26 pilots expected in the first half of 2026. The Company is focused on converting these and future expected pilots into commercial customers in both agriculture and golf.

**Middle East** - Supporting licensed partners and pursuing opportunities as market conditions allow.

**Production capacity** - Continued investment in LNC production units to support larger-scale deployments.

**Capital** – Completing a capital raise of approximately USD 15 million to fund the growth strategy.

The broader market environment - rising water costs, tightening conservation regulation, and growing demand for soil health solutions - continues to support LNC adoption across Desert Control's target segments

## Corporate Governance

### Governance Framework and Regulatory Compliance

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 its shares have been listed since 14 April 2021 under the ticker "DSRT". Following the successful IPO and private placement raising NOK 200 million in 2021, the Company updated its Articles of Association to reflect the current share capital and the registration of shares in the Norwegian Central Securities Depository (VPS). Desert Control's governance framework aligns with our Code of Conduct and emphasises the equal treatment of all shareholders, with clear and regulated communication practices overseen by the Board of Directors.

### Board of Directors

### Board Composition

As of year-end 2025, the Board members were as follows:

Lars R. Eismark – Executive Chairman
Maryne Lemvik – Board Member
Marit Røed Ødegaard – Board Member

In February 2026, the shareholders voted to add Juli Jessen and Jacob Christfort to the Board, bringing the total number of Desert Control AS Board of Directors to five members. Both new board members bring a deep background in agriculture and technology that should profoundly benefit the Company. With their arrival, the Board comprises three women and two men.

### Board Authorisations and Shareholder Mandates

The Board currently holds three key authorisations from the General Meeting (each subject to annual renewal) to ensure strategic flexibility:

1. An authorisation to issue shares up to 5% of share capital for the Company's employee incentive program (stock option grants, etc.).
2. An authorisation to issue shares up to 10% of share capital for financing purposes (e.g., raising additional equity to fund development or growth opportunities).
3. An authorisation for the Company to acquire up to 5% of its own shares (treasury shares), which can be used for purposes such as share buy-backs or using shares as consideration in transactions.

### Board Committees

### Remuneration Committee

In 2024, Desert Control established a Remuneration Committee to strengthen its governance on executive pay and incentives. The Remuneration Committee's role is to advise the Board on compensation policies, performance-based remuneration, and recruitment terms for senior management. It ensures that executive rewards are aligned with shareholder interests and market best practices.

### Nomination Process

The Company has not yet established a separate Nomination Committee for board elections; instead, board candidate proposals are handled by the Board and major shareholders collaboratively.

### Board Practices and Internal Controls

The Board conducts an annual self-assessment and closed-session evaluation of its performance and composition, usually during an annual strategy meeting. In these assessments, directors review the effectiveness of the Board's work, its mix of skills, and any gaps or improvements needed in governance. The 2025 self-evaluation confirmed that the Board is functioning well, with a good balance of financial, strategic, and industry expertise to guide the Company.

The Board meets regularly and more frequently as needed. It has instituted strict insider trading policies: all insiders, including directors and senior executives, observe defined blackout periods around financial reporting and other market-sensitive events. Compliance is monitored, and any trading by primary insiders is promptly disclosed in line with Oslo Børs requirements.

### Remuneration Governance

The remuneration of the Board is determined annually by shareholders. Board fees are modest and were approved at the AGM, reflecting the Company's early-stage nature (board members receive a combination of cash fees and, in some cases, share options, as authorized by shareholders). The CEO's compensation is set by the Board (with recommendations from the Remuneration Committee), aligning with the guidelines approved by shareholders and the Norwegian rules on executive compensation.

### Governance Outlook and Continuous Improvement

In summary, Desert Control's corporate governance is characterised by an engaged and qualified Board, clear authorisation and controls, and a dedication to transparency with all stakeholders. We believe that good governance forms the foundation for long-term value

creation. As we grow, we will continue to strengthen our governance structures – for example, by considering the establishment of an Audit Committee as revenues scale, or a Nomination Committee as our shareholder base broadens – to ensure we meet or exceed the expectations of investors, regulators, and the public in how we run our Company.

For additional details on our corporate governance policies, including our Code of Conduct and investor relations policies, please refer to the corporate governance section on our investor website.

## Risk management

### Risk Management Framework and Approach

Desert Control operates in a context that presents a broad range of risks – from market adoption and regulatory changes to operational and financial risks. The Company takes a proactive approach to risk management, integrating risk assessment into strategic planning and daily operations. Our goal is to identify, monitor, and mitigate risks in a way that supports sustainable growth and safeguards our mission.

Below we outline the key risk categories and how we manage them:

### Commercial and Market Risk

Desert Control's LNC technology targets large global challenges by reducing water use and restoring soil health. While pilot projects and early deployments have confirmed LNC's benefits, scaling up to widespread commercial adoption is an ongoing challenge. Market acceptance depends on factors such as customer awareness, proof of return on investment, and industry willingness to change traditional practices. We recognise that commercial risk remains elevated until broader market adoption is achieved.

Our mitigation strategy includes generating strong reference cases, educating the market (through social media and case studies), and targeting innovators/early adopters who can influence others.

### Regulatory and Policy Risk

Public policy and regulations in our markets can significantly influence Desert Control's opportunities and operations. Policy changes – such as reductions in funding for conservation incentives or shifts in agricultural subsidies – could impact demand. We mitigate this by aligning our value proposition with regulatory goals and by diversifying our customer base so we are not overly reliant on one type of incentive.

A change in leadership priorities or budget allocations could delay projects. Geopolitical factors and currency fluctuations are also monitored. We note though that our operations have some resilience. For instance, our raw materials for LNC in the Middle East can be locally sourced, reducing exposure to international trade disruptions. Overall, we stay informed through advisors and industry groups, and we are ready to adapt our market strategy in response to policy developments.

### Technology Validation and Performance Risk

While LNC's effectiveness has been demonstrated in controlled trials and initial commercial projects, we are cognizant that long-term performance across diverse conditions is still being validated. Different soil types, crop systems, and climates might yield different results, and there is a risk that outcomes in some cases may not fully meet expectations. Any such variations could affect customer confidence and market acceptance.

To manage this risk, Desert Control invests in ongoing scientific studies in collaboration with independent research institutions to back up performance claims. We also initiate pilot phases before full rollouts when dealing with new client types, which allows us to adjust and optimise.

Additionally, we are pursuing necessary regulatory approvals and certifications for our product. To date, no significant regulatory barriers have arisen, but we remain vigilant about compliance with any emerging standards. Our R&D team also continuously monitors LNC-treated sites over multiple seasons, looking for any signs of performance degradation or unforeseen side effects, so that we can address them proactively.

### Credit Risk

Desert Control's credit risk mainly involves the financial reliability of our customers and partners. The Company's policy is to engage, whenever feasible, with creditworthy counterparties and to structure contracts with appropriate payment terms (e.g., upfront deposits or milestone payments) to reduce exposure. In 2025, we did not experience any material credit losses.

As we grow, we will keep credit risk minimal by performing due diligence on new customers, possibly using trade credit insurance for larger exposures, and by maintaining diversified accounts (so no single customer represents an outsized portion of receivables). Our cash holdings and any surplus funds are placed with highly rated banks to minimise counterparty risk on the treasury side.

### Liquidity Risk

Being a scale-up stage company, we must ensure we have enough cash to fund operations through the intervals between capital raises and eventually reach cash flow breakeven.

Maintaining sufficient liquidity is a key priority for Desert Control. As of 31 December 2025, the company held a cash balance of NOK 62.5 million and had no interest-bearing debt.

Liquidity is expected to cover planned operations late into Q3 2026, 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 3Q 2026.

As reported as a subsequent event, on 21 April 2026, the Company announced plans to raise USD 15 million.

### Currency Risk

The Group is exposed to foreign currency risk primarily through the translation of Desert Control Americas Inc.'s USD-denominated balances into NOK. During 2025, the NOK strengthened approximately 11% against the USD, resulting in a net foreign exchange loss of NOK 9.1 million recognised in the income statement. The Group does not currently use hedging instruments to manage this exposure.

### Financial Risk Management and Board Oversight

The Board of Desert Control is dedicated to a proactive and strategic approach to financial risk management, aligning it with our broader mission and goals. We balance the various risks – market, credit, liquidity – to navigate uncertainties effectively while seizing opportunities that drive both financial performance and environmental impact.

We also avoid unnecessary financial risk by not engaging in speculative transactions; our focus is on supporting the core business. The Board has oversight of risk management policies and receives regular updates on risk metrics and mitigation progress.

At the parent company level, the most significant financial exposure is the intercompany loan to Desert Control Americas Inc. of NOK 88.7 million. Management has assessed the recoverability of this loan and considers it recoverable based on DCAM's business plan and the Group's going concern assessment. This exposure is eliminated on consolidation and does not affect the Group balance sheet.

### Summary of Risk Profile and Mitigation

In summary, while Desert Control operates in a challenging and dynamic environment, we have a comprehensive risk management strategy in place. Commercial risks are inherent as we move from pilot projects to large-scale contracts, but by staying focused on customer success and market education, we mitigate those risks. Regulatory and technical risks are addressed through compliance efforts and continuous R&D validation. Financial risks are managed through prudent planning and governance oversight.

This balanced approach to risk management supports Desert Control's growth and long-term success in delivering sustainable water conservation and soil restoration solutions. The Board and management remain vigilant and adaptable – learning from each project, adjusting strategies as needed, and always prioritising the Company's resilience and integrity as we pursue our vision. For further details on financial risk factors, please see Note 12. Financial risk management in the financial statements section.

## Board of Directors

### Board Overview and Responsibilities

The Board of Directors of Desert Control AS provides strategic guidance, oversight, and governance, ensuring that the Company is managed in the best interests of shareholders and other stakeholders.

### Board Members

At 31 December 2025, the Board of Directors comprised three members: Lars Raunholt Eismark (Executive Chairman), Maryne Lemvik (Board Member), and Marit Røed Ødegaard (Board Member). Following an Extraordinary General Meeting (EGM) held on 25 February 2026, Jacob Christfort and Juli Jessen were appointed to the Board, bringing the total number of directors to five.

Lars Raunholt Eismark – Executive Chairman of the Board

Mr. Eismark has served as Board Chair since 2024. He brings extensive experience in global capital markets, corporate strategy, and finance. Lars Eismark's leadership on the Board has been instrumental in guiding Desert Control's strategic focus and ensuring strong governance practices. In addition to chairing the Board, he is actively involved in the Company's strategic partnerships and investor relations activities.

Jacob Christfort – Board Member

Mr. Christfort joined the Board in February 2026. He brings entrepreneurial and executive experience in both agriculture and technology to the Board. His perspective on agriculture is also enhanced by his ownership of a 1,500-acre working ranch. His proven track record in managing growth companies will be valuable as Desert Control continues its growth journey.

Juli Jessen – Board Member

Ms. Jessen joined the Board in February 2026. As someone who has progressed through a number of leadership roles to become the CEO of a large agricultural inputs company, she offers a wealth of experience and perspective to the Board. As the Company continues to grow and contemplate new areas of growth, her counsel will be particularly beneficial to the Company.

Maryne Lemvik – Board Member

Ms. Lemvik joined Desert Control's Board in 2021 and contributes expertise in business development and sustainability. She serves on the Remuneration Committee. With a background in international business and a passion for environmental initiatives, Maryne Lemvik provides valuable perspectives on expanding Desert Control's global footprint responsibly. She also brings experience in corporate governance from prior board roles.

Marit Røed Ødegaard – Board Member

Ms. Ødegaard joined the Board in 2020. She is a seasoned professional in the field of chemicals and fertilizers and has held leadership roles in business development, corporate strategy, sales, marketing, and human resources . She serves on the Remuneration Committee. Her presence on the Board ensures a strong focus on sustainable growth and operational excellence.

### Board Diversity and Competence

The Board of Desert Control deliberately comprises a variety of skills – from finance, strategy, and technology to sustainability and operations – reflecting the multifaceted needs of our business. It also achieves gender diversity (60% female) and international experience (board members have worked across Europe, North America, and the Middle East), which aligns with our belief that diverse perspectives lead to better decision-making.

### Election and Term of Office

The Board members are elected by the shareholders at the Annual General Meeting or an EGM, typically for one-year terms in accordance with Norwegian company practice and can be re-elected. The most recent election/re-election occurred at the EGM in February 2026, where all current members were confirmed.

### Board Activities During the Year

In the fiscal year 2025, the Board held regular meetings with additional ad-hoc meetings around significant events. Attendance was near 100% for all directors. Key topics of Board deliberation included: risk management reviews (as detailed in the Risk Management section), and financial planning which led to the successful capital raise. The Board also reviewed and approved the Company's quarterly interim reports, ensuring compliance with the Norwegian Securities Trading Act's disclosure requirements.

### Responsibility for Financial Reporting

The Board of Directors and the CEO collectively are responsible for the preparation of the annual accounts and for ensuring that the financial statements present a true and fair view of the Company's financial position. Although the full statement will accompany the final audited accounts (see Additional Information), the Board confirms its commitment to upholding the highest standards of fiduciary duty and governance as Desert Control advances its mission.

## People and work environment

### Working environment and people

As Desert Control employs fewer than 50 persons, the Company is not subject to the mandatory gender equality activity reporting obligation under the Equality and Anti-Discrimination Act §26. The Company is committed to equal opportunities and actively promotes diversity at all levels. At Board level, three of five directors are women (60%), and across the Group 26% of employees are female.

At 31 December 2025, Desert Control AS had 11 full-time employees in Norway. The Group employed 23 people in total, including 12 employees in the United States through Desert Control Americas Inc.

No occupational accidents or injuries were recorded in Norway during 2025. Total sick leave in Norway amounted to 3.72% of total worked hours. The Company complies with the Norwegian Working Environment Act and the Norwegian Equality and Anti-Discrimination Act, and maintains mandatory occupational pension arrangements for all eligible Norwegian employees. The Board considers the working environment to be satisfactory.

## Financial Performance

### Revenue Development

In FY2025, Desert Control reported revenues of NOK 2.6 million. Revenue levels were influenced by the Company's contract mix and the timing of verification and invoicing under outcome-based structures such as PAYS.

### Profitability and Operating Performance

In FY2025, EBITDA was NOK (67.2) million. Operating expenses increased compared to the same period last year, primarily due to higher field activity in the U.S., the ramp-up of production capabilities for upcoming deliveries, continued investment in building our organisational capacity (including key hires to enable future growth), and one-time costs related to restructuring. This led to a decline in EBITDA year-over-year.

### Liquidity

The Group ended the year with cash of NOK 62.5 million and no interest-bearing debt.

### Net Result and Earnings

Desert Control's net loss widened in 2025 compared to the previous year. For the year ending Dec 31, 2025, the consolidated net loss was approximately NOK (78.5) million, versus NOK (54.8) million for the same period in 2024.

Several factors contributed to the deeper loss:

- Higher operating expenses as noted (expansion-related costs ahead of revenue).
- The lack of revenue recognition for completed work (which, once recognised, would improve the profit picture, but in the interim the costs have been incurred without corresponding income).
- One-time charges such as restructuring costs.
- Foreign exchange movements had a notable impact. The Norwegian Krone strengthened against the U.S. Dollar during 2025, resulting in both realised and unrealised foreign exchange losses on our USD-denominated cash and receivables recognised in the P&L, partially offset by a currency translation gain of approximately NOK 7.4 million recognised in OCI. These are non-cash accounting effects and do not impact the Company's underlying operations or liquidity position.

As a result of these factors, the net loss per share for the year ended 31 December 2025 was NOK (1.12) per share (diluted), compared to NOK (1.02) per share in 2024. The increase in absolute net loss was driven by higher operating costs and non-cash FX losses, while the impact on a per-share basis was significantly moderated by the larger weighted average share count following the rights issue

### Financial Position and Capital Structure

Desert Control's balance sheet at year end remains equity-strong and debt-free. After the rights issue the Company's total equity improved significantly. The new share capital was reflected on the balance sheet under other paid-in capital as of 30 Sept (pending formal registration). With this equity raise, the Group's equity ratio (equity/total assets) remains very robust, providing a solid solvency foundation.

Desert Control has no interest-bearing debt and did not utilise any credit lines during the period. This conservative capital structure means no financial gearing risk or interest burden, which is advantageous for a company in our stage.

### Cash Flow and Liquidity

The Company's cash burn from operations for the year was in line with expectations given the scale-up activities. Cash outflows were driven mainly by operating losses and working capital needs.

Net cash used in operating activities was NOK 63.6 million, reflecting the Group's operating loss for the year, partially offset by non-cash items. Investing activities resulted in an outflow of NOK 7.7 million, primarily driven by capital expenditure on LNC production units. Financing activities generated a net inflow of NOK 69.7 million from the rights issue completed in Q3 2025. As a result, cash and cash equivalents decreased marginally from NOK 63.6 million to NOK 62.5 million at year end.

### Segment Information

The Company currently reports its operations as a single segment (soil conditioning solutions) and does not provide geographic segment disclosures in its financial statements. Informally, we note that a significant share of 2025 expenses related to building out our U.S. operations, which presently generate limited recognised revenue due to PAYS-based timing. In contrast, our Middle East activities-conducted through partnerships—require comparatively lower direct expense from Desert Control, though they currently produce only modest license revenue. As the business continues to mature, we may evaluate the introduction of segment-level reporting (e.g., direct operations versus licensed operations) in future annual filings to enhance transparency.

### Profit allocation

The Board of Directors proposes that the annual result for Desert Control AS for the year ended 31 December 2025 be allocated to retained earnings. No dividend is proposed.

### Going concern

As of 31 December 2025, Desert Control held a cash balance of NOK 62.5 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 in late Q3 2026, 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's full commercial potential.

In accordance with the Norwegian Accounting Act (section 2-2(8), 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 late into Q3 2026. The Board is actively working to secure additional capital to support further growth and long-term sustainability. As such, material uncertainty exists beyond this period.

The Board expects 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.

### Subsequent events

A description of events occurring after the reporting period is provided in Note 20. Subsequent events to the consolidated financial statements.

## Signature of the Board of Directors

The Board of Directors of Desert Control AS has today considered and approved the Board of Directors' Report and the financial statements of Desert Control AS and the Desert Control Group for the financial year ended 31 December 2025.

In accordance with Section 4-5 of the Norwegian Accounting Act, the Board confirms that both the consolidated financial statements and the parent company

financial statements have been prepared on the basis of the going concern assumption, and that this assumption is appropriate. The Board considers that the financial statements give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations.

The Board of Directors' Report provides a fair review of the development, performance and financial position of the Company and the Group, together with a description of the principal risks and uncertainties facing the business.

**Sandnes, 12 May 2026**

**For the Board of Directors of Desert Control AS.**

This Annual Report has been signed electronically. The signed version is held on file by Desert Control AS.

**Lars R. Eismark,** Executive Chairman

**Juli Jessen,** Board Member

**Marit Røed Ødegaard,** Board Member

**Jacob Christfort**, Board Member

**Maryne Lemvik**, Board Member

**James Edward Thomas**, Chief Executive Officer

# Financial Statements

Consolidated financial statements Desert Control Group


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## Consolidated statement of comprehensive income

| NOK thousand | Note | Full year 2025 | 2024 |
|---|---|---|---|
| Revenue from contracts with customers | | **2,608** | 2,172 |
| **Total revenue** | 3 | **2,608** | 2,172 |
| Cost of goods sold (COGS) | | **1,171** | 270 |
| **Gross profit** | | **1,437** | 1,901 |
| Salary and employee benefit expenses | 4 | **31,427** | 32,603 |
| Other operating expenses | 5 | 37,178 | 26,946 |
| Depreciation and amortisation | 9 | 3,358 | 5,129 |
| **Operating profit or loss** | | **(70,526)** | (62,776) |
| Finance income | 6 | **1,136** | 8,213 |
| Finance costs | 6 | **9,033** | 138 |
| **Profit or loss before tax from continuing operations** | | **(78,424)** | (54,702) |
| Income tax expense | 17 | **38** | 52 |
| **Profit or loss for the year from continuing operations** | | **(78,461)** | (54,754) |
| **Discontinued operations** | | | |
| Profit or loss after tax for the year from discontinued operations | | **-** | (91) |
| **Profit or loss for the year** | | **(78,461)** | (54,845) |

| NOK thousand | Note | Full year 2025 | 2024 |
|---|---|---|---|
| ***Allocation of profit or loss:*** | | | |
| ***Other comprehensive income:*** | | | |
| *Items that subsequently may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **7,428** | (5,581) |
| Total items that may be reclassified to profit or loss | | **7,428** | (5,581) |
| **Total other comprehensive income for the year** | | **7,428** | (5,581) |
| **Total comprehensive income for the year** | | **(71,033)** | (60,425) |
| ***Allocation of total comprehensive income*** | | | |
| **Total comprehensive income attributable to owners of the parent** | | **(71,033)** | (60,425) |
| **Earnings per share NOK ("EPS")** | | | |
| Basic EPS - profit or loss attributable to equity holders of the parent | | **(1.12)** | **(1.02)** |
| Diluted EPS - profit or loss attributable to equity holders of the parent | | **(1.12)** | **(1.02)** |

## Consolidated statement of financial position

| NOK thousand | Note | At 31 December 2025 | 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **16,127** | 11,292 |
| **Total non-current assets** | | **16,127** | 11,292 |
| | | | |
| **Current assets** | | | |
| Inventory | | **290** | 152 |
| Trade receivables | | **1,027** | 376 |
| Other receivables | 7 | **6,906** | 6,031 |
| Other current financial assets | 7 | **-** | 3 |
| Cash and cash equivalents | 10 | **62,500** | 63,572 |
| **Total current assets** | | **70,723** | 70,133 |
| | | | |
| **TOTAL ASSETS** | | **86,850** | 81,426 |

| NOK thousand | Note | At 31 December 2025 | 2024 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | **363** | 161 |
| Share premium | 13,15 | **154,822** | 135,118 |
| Currency translation differences | | **1,764** | (5,664) |
| Retained earnings | 13 | **(78,461)** | (54,845) |
| **Total equity** | | **78,488** | 74,769 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **5,895** | 3,448 |
| Public duties payable | | **792** | 1,383 |
| Other current liabilities | | **1,675** | 1,826 |
| **Total current liabilities** | 8 | **8,363** | 6,657 |
| | | | |
| **Total liabilities** | | **8,363** | 6,657 |
| **TOTAL EQUITY AND LIABILITIES** | | **86,850** | 81,426 |

**Sandnes, 12.05.2026**

**For the Board of Directors of Desert Control AS**

This Annual Report has been signed electronically. The signed version is held on file by Desert Control AS

**Lars R. Eismark,** Executive Chairman

**Marit Røed Ødegaard,** Board Member

**Jacob Christfort**, Board Member

**Maryne Lemvik**, Board Member

**Juli Jessen,** Board Member

**James Edward Thomas**, Chief Executive Officer

## Consolidated statement of cash flows

| NOK thousand | Note | Full year 2025 | 2024 |
|---|---|---|---|
| **Profit or loss before tax from continuing operations** | | **(78,424)** | (54,702) |
| **Profit or loss before tax for discontinued operations** | | **-** | (91) |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | |
| Depreciation and amortisation | 9 | **3,358** | 5,129 |
| Net financial income/expense | 6 | **(815)** | (2,566) |
| Foreign exchange gains or losses | | **8,586** | (6,807) |
| Share-based payment expense | 15 | **4,786** | 6,132 |
| Adjustments for other non-cash items | | **(1,169)** | 2,730 |
| | | | |
| *Working capital adjustments:* | | | |
| Changes in accounts receivable and other receivables | | **(1,664)** | (1,151) |
| Changes in trade payables, duties and social security payables | | **1,857** | 2,045 |
| Changes in other current liabilities and contract liabilities | | **(151)** | 628 |
| **Cash flows from operating activities** | | **(63,635)** | (48,653) |

| NOK thousand | Note | Full year 2025 | 2024 |
|---|---|---|---|
| **Cash flows provided by (used in) investing activities** | | | |
| Capital expenditures and investments | 9 | **(8,762)** | (9,097) |
| Sale (Purchase) of financial instruments | 11 | **-** | 19,580 |
| Proceeds from sale of property, plant and equipment | 9 | **-** | (75) |
| Interest received | | **1,105** | 2,130 |
| **Cash flow provided by (used in) investing activities** | | **(7,657)** | 12,538 |
| | | | |
| **Cash flow provided by (used in) financing activities (NOK)** | | | |
| Proceeds from issuance of equity | 13 | **74,798** | - |
| Transaction costs on issue of shares | 13 | **(5,034)** | - |
| Lease payments | | **-** | (488) |
| Interest paid | | **(48)** | (5) |
| **Cash flows provided by (used in) financing activities** | | **69,715** | (493) |
| **Net increase/decrease) in cash and cash equivalents** | | **(1,577)** | (36,609) |
| Cash and cash equivalents at beginning of the year/period | 10 | **63,574** | 100,008 |
| Net foreign exchange difference | | **503** | 176 |
| **Cash and cash equivalents, end of period** | | **62,500** | 63,574 |

## Consolidated statement of changes in equity

| NOK thousand | Notes | Share capital | Share premium | Cumulative translation differences | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **At 1 January 2024** | | **161** | **321,180** | **(80)** | **(192,194)** | **129,067** |
| Profit (loss) for the period | | - | - | - | (54,845) | (54,845) |
| Total comprehensive income for the year | | - | - | (5,584) | - | (5,584) |
| Issue of share capital | | 0 | - | - | - | 0 |
| Share-based program options | 13 | - | 6,132 | - | - | 6,132 |
| Share premium reclassification | 13 | - | (192,194) | - | 192,194 | - |
| **At 31 December 2024** | | **161** | **135,118** | **(5,664)** | **(54,845)** | **74,769** |
| | | | | | | |
| **At 1 January 2025** | | **161** | **135,118** | **(5,664)** | **(54,845)** | **74,769** |
| Profit (loss) for the period | | - | - | - | (78,461) | (78,461) |
| Total comprehensive income for the year | | - | - | 7,428 | - | 7,428 |
| Issue of share capital - rights issue subscription | 13 | 182 | 74,818 | - | - | 75,000 |
| Issue of share capital - underwriter shares (non-cash) | 13 | 20 | 8,050 | - | - | 8,070 |
| Transaction costs of equity issue | 13 | - | (13,105) | - | - | (13,105) |
| Issue costs / share-based underwriting | 13 | - | - | - | - | - |
| Share-based program options | 15 | - | 4,786 | - | - | 4,786 |
| Share premium reclassification | 13 | - | (54,845) | - | 54,845 | - |
| **At 31 December 2025** | | **363** | **154,822** | **1,764** | **(78,461)** | **78,488** |

## Notes to the consolidated financial statements

### Note 1. General information

***Corporate information***

The consolidated financial statements of Desert Control AS and its subsidiaries (collectively, "the Group", "Company" or "Desert Control") for the twelve months period ended 31 December 2025 were authorised for issue by a Board meeting held on 12th of May 2026.

***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"). 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.

Desert Control AS is a private limited liability company incorporated and domiciled in Norway. Its shares are traded at the unregulated marketplace Euronext Growth. The Group's head office is located at Grenseveien 21, 4313 Sandnes, Norway. Desert Control specialises in climate-smart, agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its proprietary LNC enables sustainable ecosystem management by restoring and protecting soil's ability to preserve water and increase yields for agriculture, forests, and green landscapes. 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. 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 fluctuate 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 May 13, 2026, the Company's current liquidity position supports operations into Q3 2026 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 optimisation. 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 optimisations are secured, a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern beyond Q3 2026.

***Enhanced disclosure of material accounting policies***

The Group discloses accounting policies that materially impact the understanding of the financial statements. The selection and presentation of these policies reflect the Group's specific business activities and financial reporting requirements.

## Note 2. Accounting policies and significant judgements and estimates

Desert Control AS presents its material accounting policies in the notes to which they relate. This note sets out the significant judgements and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in these financial statements, together with new and forthcoming accounting standards relevant to the Group.

### *Significant accounting judgements*

In preparing these financial statements, management has made the following judgements that have the most significant effect on the amounts recognised. These are judgements about the application of accounting policies, not estimates of uncertain future outcomes.

**Going concern basis of preparation:** The financial statements have been prepared on the going concern basis. Management has assessed that, while material uncertainty exists relating to the Group's ability to continue as a going concern beyond Q3 2026, it remains appropriate to prepare the financial statements on this basis given the available funding runway and management's active efforts to secure additional capital. This represents a significant judgement. Full disclosure is provided in Note 1. General information.

**Revenue recognition timing under IFRS 15 (PAYS contracts):** The Group recognises revenue under its Pay As You Save contracts only when measurable water savings have been independently verified by the customer. Management considers the water savings verification milestone to be the point at which the performance obligation is satisfied and control transfers to the customer. This point-in-time recognition requires judgement regarding when verification criteria are met.

**Capitalisation of development costs (IAS 16 vs IAS 38):** Development costs associated with the Next-Generation LNC Production System Prototype have been capitalised as Property, Plant and Equipment under IAS 16. This reflects management's judgement that the intangible components of the prototype — including technological innovation and process improvements — are inseparable from the physical asset and therefore do not qualify as separately identifiable intangible assets under IAS 38. Further details are provided in Note 9.

### *Key sources of estimation uncertainty*

The following assumptions and estimates could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Share-based payment fair value (IFRS 2):** The weighted average fair value of share options granted is measured using the Black-Scholes model. Management applies a programme-weighted average fair value of NOK 3.85 across all active option programmes (LTIP 2022 and Executive Remuneration 2025). The determination of volatility, expected life, and risk-free rate involves significant estimation. Changes in these assumptions could materially affect the annual SBP charge. Further details are provided in Note 15.Share based payments.

**Contract cost amortisation period (IFRS 15):** The Group capitalises costs directly attributable to obtaining PAYS contracts and amortises these over the expected period of benefit, determined to be 24 months. This estimate is based on the geological permanence of LNC treatment and commercial precedent for similar contracts. Given the early stage of the PAYS model and limited long-term empirical data, this estimate is subject to uncertainty and will be reassessed as further data becomes available.

***Value in use**:* impairment assessment (IAS 36): The recoverable amount of Property, Plant and Equipment has been assessed using a value in use calculation. Key assumptions include projected cash flows consistent with the Group's going concern projections and a pre-tax discount rate reflecting the risks specific to each cash-generating unit. Changes in these assumptions could materially affect the carrying value of PPE. Further details are provided in Note 9.

### *IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 was issued in April 2024 and is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 replaces IAS 1 and introduces a new structure for the statement of profit or loss, requiring entities to classify income and expenses into operating, investing, and financing categories. It also introduces new requirements for management-defined performance measures and enhanced disclosure requirements.

The Group has not yet adopted IFRS 18. Management is currently assessing the impact on the presentation of its financial statements. The new income statement structure is expected to require reclassification of certain finance income and expense items currently presented within operating activities. No impact on the measurement of assets, liabilities, equity, income, or expenses is expected.

The Group plans to apply IFRS 18 when it becomes mandatory on 1 January 2027.'

## Note 3. Total revenue

### *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. For LNC application revenue, control transfers at the point of delivery, marking the completion of the sole performance obligation. Under PAYS contracts, revenue is recognised as water savings are independently verified by the customer. Revenue from royalties is recognised when the licensee's underlying sales occur, ensuring income is recorded in the same period in which the related usage or sales take place. No other income was recorded in 2025.

### *Revenue from contracts with customers*

| | Full Year | |
|---|---|---|
| **By area of operation:** (NOK thousand) | **2025** | **2024** |
| Liquid Natural Clay (LNC) | **2,458** | 1,879 |
| Licensing Royalties | **149** | 293 |
| **Total Revenues from contracts with customers and other revenues** | **2,608** | **2,172** |

| | Full Year | |
|---|---|---|
| **By geographic market:** (NOK thousand) | **2025** | **2024** |
| United States | **2,458** | 1,879 |
| Norway | **149** | 293 |
| **Revenue from contracts with customers** | **2,608** | **2,172** |

The Group disaggregates revenue by type of service: LNC application revenue and licensing royalties. Both revenue streams arise from the Group's single operating segment. LNC revenue growth reflects increased PAYS contract activity in the U.S. through Desert Control Americas Inc. Licensing royalties represent fees invoiced by Desert Control AS to licensed operators in the Middle East. All revenue recognised in 2025 relates to contracts with customers within the scope of IFRS 15.

In 2025, revenue from two external customers in the United States individually exceeded 10% of the Group's total revenue from contracts with customers, amounting to NOK 1,274 thousand and NOK 873 thousand respectively. Both arrangements are reported within Liquid Natural Clay (LNC) revenue. In 2024, revenue from one external customer in the United States exceeded 10% of total revenue and amounted to NOK 1,726 thousand, also within LNC revenue. As the Group operates as a single operating segment, all such revenue is reported within that segment.

## Note 4. Salary and employee benefit expenses

***Accounting policies***

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

***Breakdown of employee costs***

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 recognised 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 recognised 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 recognised 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 recognised 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 labour costs.

Government grants conditions and contingencies

The Group receives R&D tax incentive grants under the Norwegian SkatteFUNN scheme and operational grants from Rogaland County (FORREGION). These grants are subject to the condition that the approved R&D activities are performed in accordance with the approved project descriptions and budgets.

SkatteFUNN grants recognised in 2025 amount to NOK 962 thousand (salary-related) and NOK 848 thousand (operating cost-related), totalling NOK 1,810 thousand. These grants are subject to retrospective review by the Research Council of Norway (Norges Forskningsråd) and the Norwegian Tax Administration (Skatteetaten). Management considers that all conditions relating to the recognition of the 2025 SkatteFUNN grants have been met.

FORREGION grant income of NOK 400 thousand was recognised in 2025 under grant agreement FORREGION-109/2024. The grant is subject to reporting requirements and conditions specified in the grant agreement. Management considers that all relevant conditions have been satisfied at the reporting date.

If any of the above grants are subsequently found to have been incorrectly claimed, the Group would be required to repay the relevant amounts. Management considers the risk of repayment to be low.

| NOK thousand | **2025** | **2024** |
|---|---|---|
| Salaries | **19,045** | 21,745 |
| Social security costs | **3,693** | 3,239 |
| Pension costs | **745** | 831 |
| Other employee expenses incl. share option expense | **8,907** | 7,905 |
| **Subtotal Salaries and Benefits** | **32,389** | 33,720 |
| Government grant | **(962)** | (1,118) |
| **Total employee benefit expenses** | **31,427** | 32,603 |
| Average number of full-time employees (FTEs) | 23 | 22 |

## Note 5. 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 amortisation. These expenses are recognised 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 recognised as deductions from the respective expense category.

| | Full Year | |
|---|---|---|
| NOK thousand | **2025** | **2024** |
| Audit and accounting services | **6,583** | 5,820 |
| Research expenses | **12,786** | 5,300 |
| Consulting fees | **1,953** | 4,464 |
| Travel expenses | **4,425** | 3,587 |
| Hardware and software expenses | **2,551** | 2,288 |
| Lease expenses | **3,022** | 1,741 |
| Legal expenses | **2,219** | 754 |
| Regulatory expenses | **1,200** | 947 |
| Sales and Marketing | **512** | 275 |
| Other operating expenses | **3,174** | 2,648 |
| Government grant | **(1,248)** | (878) |
| **Total other operating expenses** | **37,178** | **26,946** |

| **Auditor fees** | **2025** | **2024** |
|---|---|---|
| Statutory audit | **1,033** | 535 |
| Attestation services | **238** | 430 |
| Tax advisory | **-** | - |
| Other services | **-** | 246 |
| **Total remuneration to the auditor** | **1,271** | **1,211** |

## Note 6. Financial income and cost

| | Full Year | |
|---|---|---|
| NOK thousand | **2025** | **2024** |
| Interest income | **1,105** | 2,130 |
| Other finance income | **19** | (0) |
| Gain on foreign exchange | **13** | 6,082 |
| **Total finance income continued operations** | **1,136** | 8,213 |
| **Total finance income discontinued operations** | **-** | (441) |

| | Full Year | |
|---|---|---|
| **Finance costs continued operations** | **2025** | **2024** |
| Interest on lease liabilities | **-** | 12 |
| Other finance costs | **-** | 26 |
| Loss on foreign exchange | **9,033** | 99 |
| **Total finance costs** | **9,033** | 138 |

## Note 7. Other receivables

### *Accounting policies*

Other receivables are measured at initial fair value and subsequently at amortised cost, and include VAT receivables, government grant receivables, capitalised contract costs, prepayments, and other current claims. The Group applies a simplified approach for expected credit losses in accordance with IFRS 9. The credit loss allowance is insignificant. For details on credit risk management, refer to Note 11 Financial Instruments and Risk Management.

Capitalised contract costs represent direct fulfillment expenditures incurred under Desert Control's Pay-As-You-Save (PAYS) contracts, where costs are deferred until verified water savings are achieved and revenue is recognised. These costs are amortised on a straight-line basis over 24 months from the commencement of revenue recognition. The full accounting policy and key judgments are set out in Note 2. Accounting policies and judgmental considerations.

| NOK thousands | 2025 | 2024 |
|---|---|---|
| Government grant receivables | **3,676** | 3,121 |
| Prepayments | **1,001** | 1,273 |
| Capitalized contract cost | **1,169** | - |
| VAT receivable | **936** | 1,300 |
| Other | **124** | 337 |
| **Total other receivables** | **6,906** | 6,031 |

At 31 December 2025, capitalised contract costs of NOK 1,169 thousand (2024: nil) relate to the Woodland Hills Country Club PAYS contract executed in April 2025. Revenue recognition commenced in Q4 2025 following the first verified water savings, at which point amortisation began. Amortisation of NOK 155 thousand was recognised in Q4 2025 within cost of goods sold in the consolidated statement of comprehensive income.

The government grant receivables balance reflects ongoing SkatteFUNN claims associated with the LNC production unit project approved for 2024–2026. Following the relocation of R&D activities to the U.S. during 2025, the scope of Norwegian SkatteFUNN-eligible expenditure has reduced compared to prior periods.

## Note 8. Current liabilities

### *Accounting policies*

Trade payables and other liabilities comprise obligations arising from past transactions, expected to be settled within 12 months from the balance sheet date.

Trade payables represent amounts due to suppliers for goods and services received and invoiced, while accrued expenses relate to costs incurred but not yet invoiced at the reporting date. These liabilities are non-interest-bearing, typically settled within 30 days, and measured at amortised cost.

Public duties payable include statutory obligations such as withholding payroll taxes and social security contributions.

Other current liabilities primarily comprise accruals and miscellaneous obligations, including employee bonuses, professional fees, and other operating expenses.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

| NOK thousand | 2025 | 2024 |
|---|---|---|
| Trade and other payables | **4,203** | 1,549 |
| Public duties payable[1] | **792** | 1,383 |
| Other liabilities[2] | **3,368** | 3,208 |
| **Total current liabilities** | **8,363** | 6,657 |

1. Represents accrued liabilities for withholding payroll taxes and social security contributions. 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.
2. Represents provisions related to employee benefits, including accrued wages, holiday pay, and other compensation-related liabilities.

During 2025, the Group recognised a restructuring provision of NOK 969 thousand in connection with the planned wind-down of R&D activities in Norway and the transition of those activities to the U.S. The provision represents the Group's best estimate of the costs

directly associated with the restructuring, including employee-related obligations. The Norway R&D laboratory closure was formally completed in early 2026.

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

The Company does not have any lease liabilities as of 31 December 2025.

## Note 9. Property Plant and Equipment

### *Accounting policies*

Desert Control recognises Property, Plant and Equipment (PPE) 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 capitalised and depreciated over their useful lives. The Group reviews residual values, depreciation methods, and asset useful lives annually, adjusting them prospectively when necessary.

Depreciation of PPE is computed on a straight-line basis over the expected useful life 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 2025, Desert Control completed the construction of its first mobile LNC production unit, capitalised under IAS 16 at a total cost of approximately NOK 11.7 million (net of SkatteFUNN grant deductions). The LNC production unit represents a first-of-kind prototype with both tangible and intangible components. After assessment, management concluded that the asset primarily qualifies as property, plant and equipment due to its dominant physical nature and operational use.

At 31 December 2025, the unit is classified as an R&D prototype undergoing field trials.

No depreciation was charged on the unit during the year ended 31 December 2025, as the asset is not yet in the location and condition necessary to operate in the manner intended by management.

Management performed an impairment trigger assessment during 2025 in connection with the planned wind-down of Norway R&D laboratory activities. The assessment concluded that no impairment charge was required, as the restructuring does not affect the recoverable amounts of the Group's remaining assets. Refer to Note 8 Current liabilities.

The Group continues to monitor and reassess its asset base to ensure alignment with operational needs and future economic benefits.

On 7 January 2026, the Company signed a contract for the manufacturing of its first next-generation LNC production unit. The unit is based on a production-optimised system configuration designed for improved efficiency, modularity, and scalability. Construction commenced in Q1 2026 with full commissioning anticipated in 2026. The associated expenditure is being recognised as an asset under construction in accordance with IAS 16 Property, Plant and Equipment and will be transferred to Property, Plant and Equipment upon completion and commissioning.

| NOK thousand | Plant and machinery | Fixtures and fittings | Total |
|---|---|---|---|
| **Cost as of 1 January 2024** | **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 of 31 December 2024** | **18,846** | **4,111** | **22,957** |
| Additions continued operations | 7,904 | 587 | **8,491** |
| Disposals including discontinued operations | - | - | **-** |
| Currency translation effects | (1,354) | - | **(1,354)** |
| **Cost as of 31 December 2025** | **25,396** | **4,698** | **30,094** |
| | | | |
| **Depreciation and impairment as of 1 January 2024** | **5,336** | **1,006** | **6,341** |
| Depreciation for the year | 3,537 | 1,130 | **4,667** |
| Impairment for the year | - | - | **-** |
| Disposals including discontinued operations | (111) | - | **(111)** |
| Currency translation effects | 767 | - | **767** |
| **Depreciation and impairment as of 31 December 2024** | **9,529** | **2,136** | **11,665** |
| Depreciation for the period continued operations | 2,201 | 1,157 | **3,358** |
| Impairment for the period | - | - | **-** |
| Disposals discontinued operations | - | - | **-** |
| Currency translation effects | (1,056) | - | **(1,056)** |
| **Depreciation and impairment as of 31 December 2025** | **10,674** | **3,293** | **13,967** |
| | | | |
| **Net book value:** | | | |
| **At 31 December 2024** | **9,317** | **1,975** | **11,292** |
| **At 31 December 2025** | **14,722** | **1,405** | **16,127** |
| | | | |
| Economic life (years) | 5 | 3 | |
| Depreciation plan | Straight-line method | Straight-line method | |

## Note 10. 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise cash for withholding taxes which may not be used for other purposes.

| | At 31 December | |
|---|---|---|
| NOK thousands | **2025** | **2024** |
| Bank deposits, unrestricted [1] | **62,048** | 62,821 |
| Bank deposits, restricted [2] | **452** | 753 |
| **Total cash and cash equivalents** | **62,500** | 63,574 |

[1] Bank deposits earn a low interest at floating rates based on bank deposit rates.

[2] Restricted bank deposits represent cash held for withholding tax obligations.

## Note 11. 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. 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.

| At 31 December 2025, NOK thousand | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade receivables | | 1,027 | | 1,027 |
| Other receivables | 7 | 89 | | 89 |
| Other current financial assets | | | - | - |
| Cash and cash equivalents | 10 | 62,500 | | 62,500 |
| **Total financial assets** | | **63,616** | **-** | **63,616** |
| | | | | |
| **Liabilities** | | | | |
| Trade and other payables | 8 | 5,895 | | 5,895 |
| **Total financial liabilities** | | **5,895** | **-** | **5,895** |

| At 31 December 2024, NOK thousand | Notes | Financial instruments at amortised cost | Financial instruments at fair value through profit or loss | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade receivables | 8 | 376 | | 376 |
| Other receivables | 8 | 337 | | 337 |
| Other current financial assets | | | 3 | 3 |
| Cash and cash equivalents | 10 | 63,572 | | 63,572 |
| **Total financial assets** | | **64,285** | **3** | **64,288** |
| | | | | |
| **Liabilities** | | | | |
| Trade and other payables | 8 | 3,448 | | 3,448 |
| **Total financial liabilities** | | **3,448** | **-** | **3,448** |

## Note 12. 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 receivables, 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 through its cash holdings. As of 31 December 2025, the Group no longer holds fixed income funds, and all cash holdings generate interest income at floating rates. The impact of interest rate fluctuations is therefore limited to reinvestment risk when deposits mature. While the Group currently has no interest-bearing debt, changes in market interest rates may impact returns on its cash holdings. 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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's subsidiary, Desert Control Americas Inc., operates with USD as its functional currency. USD-denominated balances held by DCAM do not give rise to foreign currency risk as they are denominated in that entity's functional currency. Translation differences arising on consolidation of DCAM's financial statements into NOK are recognised in other comprehensive income and do not constitute foreign currency risk on financial instruments. The Group does not hold material external financial instruments denominated in foreign currencies at the consolidated level and does not use hedging instruments to manage foreign currency risk. The Group's exposure to foreign currency risk on financial instruments at the consolidated level is not considered material. A sensitivity analysis has therefore not been presented.

### *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 2025 is considered not significant. Cash and cash equivalents are held with SR-Bank AS and DNB ASA, both investment-grade Norwegian financial institutions. No credit losses on cash are expected.

### *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 May 13, 2026, our current liquidity supports operations into Q3 2026, based on planned activities excluding future revenues. The Board is actively implementing measures to extend our financial runway, including pursuing additional funding and optimizing revenue opportunities - 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, material uncertainty exists regarding our ability to continue as a going concern beyond Q3 2026 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 commercialisation of its LNC technology. As an early-stage company, the Group prioritises maintaining sufficient financial resources to fund ongoing operations and commercial scale-up activities. Capital is managed through active liquidity monitoring, the Financing Review currently underway targeting gross proceeds of approximately USD 15 million, and optimising resource allocation. The Group does not hold interest-bearing debt. Management's assessment of the funding position and mitigating actions is set out in Note 1 General Information and Basis of Preparation.

## Note 13. Equity and Shareholders

### *Accounting policies*

#### *Costs related to equity transactions*

Transaction costs directly attributable to the issue of new shares or options are deducted from equity, net of any associated income tax, in accordance with IAS 32.

#### *Distribution to shareholders*

The Group recognises a liability to make distributions to equity holders when the distribution is authorised and is 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 at the Annual General Meeting. A corresponding amount is recognised directly in equity.

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

**Issued capital and reserves:**

| Share capital in Desert Control AS | Number of shares authorised and fully paid | Par value per share (NOK) | Financial Position |
|---|---|---|---|
| **At 31 December 2023** | **53,507,977** | **0.003** | **160,524** |
| Share issue 22 February 2024 | 120,000 | 0.003 | 360.000 |
| **At 31 December 2024** | **53,627,977** | **0.003** | **160,884** |
| Share issue 22 February 2025 | 120,000 | 0.003 | 360 |
| Rights issue, October 2025[1] | 60,743,500 | 0.003 | 182,231 |
| Underwriter fee shares, October 2025[1] | 6,535,995 | 0.003 | 19,608 |
| **At 31 December 2025** | **121,027,472** | **0.003** | **363,082** |

1. New shares issued comprise 60,743,500 subscription shares issued to shareholders and 6,535,995 shares issued to the underwriting consortium as settlement of the non-cash underwriting fee of NOK 8,070 thousand

| Rights Issue October 2025 – Key Terms | |
|---|---|
| New shares issued | **67,279,495** |
| Total shares outstanding after rights issue | **121,027,472** |
| Subscription price (NOK per share) | **1.2347** |
| Gross proceeds (NOK) | **75,000,000** |
| Share capital increase (NOK) | **201,838** |
| Share premium (NOK) | **74,798,162** |
| Oversubscription rate | **41%** |

#### *Issued capital and reserves.*

At 31 December 2024, the Company had 53,627,977 ordinary shares in issue with a par value of NOK 0.003 per share, representing total share capital of NOK 160,884.

On 22 February 2025, 120,000 new shares were issued following the exercise of vested share options by the former Chief Executive Officer. The shares were issued at the option exercise price, increasing share capital by NOK 360. This transaction increased the total number of shares in issue to 53,747,977 and had no further impact on total equity beyond the share capital increase.

In October 2025, the Company completed a fully underwritten rights issue of 67,279,495 new shares at a subscription price of NOK 1.2347 per share, raising gross proceeds of NOK 75,000,000. Of the total proceeds, NOK 201,838 was allocated to share capital and NOK 74,798,162 was allocated to share premium. The rights issue was oversubscribed by approximately 41%. The new shares were admitted to trading on Euronext Growth Oslo on or about 6 October 2025.

Transaction costs of NOK 5,034 thousand in cash directly attributable to the rights issue were deducted from share premium in accordance with IAS 32. The non-cash underwriting fee of NOK 8,070 thousand, settled through the issuance of 6,535,995 shares to the underwriting consortium at the rights issue subscription price, is presented gross in the statement of changes in equity with a corresponding cost deduction, resulting in a net zero impact on total equity. Total transaction costs: NOK 13,104 thousand.

At 31 December 2025, the total number of shares in issue was 121,027,472 with a par value of NOK 0.003 per share, representing total share capital of NOK 363,082. All shares are ordinary and have the same voting rights and rights to dividends.

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

| Shareholders in Desert Control AS at 31 December 2025 | Total shares | Ownership/ Voting rights |
|---|---|---|
| Woods End Interests LLC | 12,096,761 | 10.0% |
| Nordnet Livsforsikring AS | 10,935,202 | 9.0% |
| Citibank, N.A. | 9,259,671 | 7.7% |
| J.P. Morgan SE | 7,695,662 | 6.4% |
| Glomar AS | 4,240,206 | 3.5% |
| E.T.T Holding AS | 4,112,477 | 3.4% |
| Lin AS | 3,404,175 | 2.8% |
| Jakob Hatteland Holding AS | 2,768,743 | 2.3% |
| Sortun Invest AS | 2,418,119 | 2.0% |
| Citibank, N.A. (2nd entry) | 2,343,169 | 1.9% |
| Clearstream Banking S.A. | 1,899,826 | 1.6% |
| The Northern Trust Comp, London Br | 1,687,197 | 1.4% |
| Olesen Ole Morten | 1,586,083 | 1.3% |
| Avanza Bank AB | 1,536,801 | 1.3% |
| Handskjeik AS | 1,536,000 | 1.3% |
| Olesen Consult HVAC AS | 1,484,718 | 1.2% |
| Lithinon AS | 1,352,976 | 1.1% |
| BNP Paribas | 1,300,000 | 1.1% |
| OKS Consulting AS | 1,270,000 | 1.0% |
| Nordnet Bank AB | 1,196,646 | 1.0% |
| Others | 46,903,040 | 38.8% |
| **Total** | **121,027,472** | **100.0%** |

| Country of Origin | No of shares | % | # shareholders |
|---|---|---|---|
| Norway | 74,633,327 | 61.7% | 3,218 |
| United States | 12,695,008 | 10.5% | 3 |
| Sweden | 12,403,468 | 10.2% | 6 |
| Ireland | 11,692,440 | 9.7% | 8 |
| Denmark | 2,599,361 | 2.1% | 5 |
| United Kingdom | 2,079,433 | 1.7% | 5 |
| Luxembourg | 1,899,826 | 1.6% | 3 |
| Others | 3,024,609 | 2.5% | 36 |
| **Grand Total** | **121,027,472** | **100%** | **3,284** |

***Share premium reclassification***

During 2025, NOK 54,845 thousand was reclassified from the share premium account to retained earnings to offset accumulated losses. This reclassification is subject to shareholder approval at the Annual General Meeting (AGM) on 17 June 2026, in accordance with the Norwegian Companies Act (Aksjeloven).

This reclassification had no impact on the company's total equity, as it was an internal reclassification within equity. The purpose of this adjustment was to offset accumulated losses against share premium and to maintain a positive retained earnings balance in the parent company accounts.

## Note 14. 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.

| NOK thousand | 2025 | 2024 |
|---|---|---|
| Profit or loss attributable to ordinary equity holders - for basic EPS | **(78,461,467)** | (54,845,297) |
| Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution | **(78,461,467)** | (54,845,297) |
| Weighted average number of ordinary shares - for basic EPS | **69,767,363** | 53,610,881 |
| Weighted average number of ordinary shares adjusted for the effect of dilution [1] | **69,767,363** | 53,610,881 |
| **Basic EPS - profit or loss attributable to equity holders of the parent** | **(1.125)** | (1.023) |
| **Diluted EPS - profit or loss attributable to equity holders of the parent** | **(1.125)** | (1.023) |

[1] Outstanding share options are excluded from the diluted EPS calculation as they are anti-dilutive given the net loss reported in 2025 and 2024. The diluted weighted average number of shares therefore equals the basic weighted average number of shares. The 2024 comparator has been restated from 49,804,548 (as reported in the 2024 Annual Report) to 53,610,881 to reflect the correct application of IAS 33. The restatement does not affect the previously reported diluted EPS of NOK (1.02) for 2024.

## Note 15. 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).

For equity-settled share-based payments granted by the parent company to employees of subsidiaries, the Company recognises an increase in its subsidiaries with a corresponding increase in equity, in accordance with IFRS 2.

### *Equity-settled transactions*

Under the Group's share option programmes, employees are granted options to purchase shares after vesting periods of up to three years. The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made, estimated using 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 of 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. Where existing option agreements are replaced by new grants, the cancellation of the original awards is treated as an acceleration of vesting under IFRS 2, with any remaining unrecognised cost recognised immediately at the date of cancellation. The replacement awards are recognised as fresh grants from their grant date.

Under the Executive Remuneration 2025 programme, certain participants benefit from an extended vesting provision upon a Good Leaver departure, whereby options continue to vest on a pro rata basis for up to 12 months following the expiry of the notice period. 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 14. Earnings per share). Social security contributions 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, volatility and dividend yield. 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. Management applies judgement in setting this assumption based on historical share price data over a period consistent with the expected option life.

***Movements in share option during the year.***

| | 2025 | 2025 Exercise Price (NOK) | 2024 | 2024 Exercise Price (NOK) |
|---|---|---|---|---|
| **Outstanding options 1 January** | 3,806,333 | 0.003 - 20.00 | 1,798,333 | 0.003 - 20.00 |
| Options granted - LTIP 2024 (Granted December 2024) | - | - | 2,250,000 | 5.00 |
| Options granted - Executive Remuneration 2025 (June 2025) | 1,000,000 | 6.72 | - | - |
| Options Granted – Executive Remuneration 2025 (October 2025) | 1,075,000 | 1.99 | - | - |
| Options forfeited [1] | (235,251) | 5.00 | (122,000) | 20.00 |
| Options cancelled | (190,000) | 20.00 | - | - |
| Options exercised [2] | (120,000) | 0.003 | (120,000) | 0.003 |
| **Outstanding options at 31 December** | **5,336,082** | **1.99-20.00** | 3,806,333 | 0.003 – 20.00 |
| **Of which vested and exercisable** | **1,906,333** | | **-** | |

| NOK thousand | 2025 | 2024 |
|---|---|---|
| **Share based payment expense** | **4,786** | 6,132 |

[1] On the departure of the former Chief Executive Officer on 31 July 2025, 155,251 of his 750,000 LTIP 2024 options lapsed on a pro rata basis in accordance with the original vesting schedule. The remaining 594,749 LTIP 2024 options were preserved under the Termination Agreement Good Leaver provisions and continue to vest in accordance with the original vesting schedule. Refer to Note 16 for further details on the former Chief Executive Officer's option holdings.

[2] Options exercised in 2025 comprise 120,000 cash-settled at strike price NOK 0.003. The weighted average share price at the date of exercise was NOK 4.11 (2024: NOK 7.14).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2025 was 1.73 years (2024: 1.82 years). The range of exercise prices for options outstanding at the end of the year was NOK 1.99 to NOK 20.00 (2024: NOK 0.003 to NOK 20.00).

***Fair value assumptions***

The fair value of options is determined at grant date using the Black-Scholes-Merton model. The following weighted average inputs were used for options granted during 2025:

| Assumptions for Fair Value of Share Option Grants | 2025 | 2024 |
|---|---|---|
| Weighted average fair values at grant date | 3.85 | 5.32 |
| Dividend yield (%) | - | - |
| Expected volatility (%) | 52% | 37% |
| Risk-free interest rate | 3% | 4% |
| Expected life (years) | 2.8 | 3.0 |
| Weighted average share price (NOK) | 9.18 | 12.78 |
| Model used | BSM | BSM |

Expected volatility reflects historical share price data over a period consistent with the expected option life. Due to the limited trading history and liquidity of the Company's shares, the volatility assumption involves significant management judgement.

***Fair value assumptions at grant date***

The following weighted average inputs were used in the Black-Scholes-Merton valuation model for options granted during the year:

| Strike price (NOK) | Number of options | Weighted average remaining contractual life (years) | Vested and exercisable at 31 Dec 2025 |
|---|---|---|---|
| 1.99 | 1,075,000 | 3.33 | |
| 5.00 | 2,094,749 | 1.26 | 750,000 |
| 6.72 | 1,000,000 | 2.93 | |
| 20.00 | 1,166,333 | 0.07 | 1,156,333 |
| **Total** | 5,336,082 | 1.73 | 1,906,333 |

***Share-based payment expense***

The total share-based payment expense recognised for the year ended 31 December 2025 is NOK 4,786 thousand (2024: NOK 6,132 thousand), recognised within employee benefits expense.

The 2025 charge reflects the cumulative cost of grants vesting during the year across the three active programmes, including the accelerated charge on 190,000 LTIP 2022 options that were cancelled in October 2025 and replaced with new awards under the Executive Remuneration 2025 programme, recognised in accordance with IFRS 2.

The 2024 charge of NOK 6,132 thousand reflected the initial recognition of the LTIP 2024 programme grants made in December 2024.

The Group operates three share option programmes, all equity-settled.

**LTIP 2022** (established July 2022, strike price NOK 20.00) became fully vested in July 2025 upon completion of the three-year cliff vesting period. The exercise period for the majority of LTIP 2022 options ends in early 2026, with a small number held by US-based participants exercisable until 1 July 2026. During 2025, 190,000 LTIP 2022 options held by three participants who entered into new agreements under the Executive Remuneration 2025 programme were cancelled in accordance with the replacement-award provisions of those agreements; the remaining unrecognised cost was accelerated and recognised immediately under IFRS 2.28B.

**LTIP 2024** (established December 2024, strike price NOK 5.00) vests over one to three years with expiry between mid-2026 and mid-2028.

**Executive Remuneration 2025** was established during 2025 with grants in June 2025 (strike price NOK 6.72, expiry December 2028) and October 2025 (strike price NOK 1.99, expiry April 2029). Options vest one-third on the first anniversary of grant, with the remaining two-thirds vesting monthly over the subsequent 24 months.

## Note 16. Remuneration to Management and the Board

### *Remuneration of the Board of Directors*

The remuneration table below reflects changes in the Board of Directors, including the appointment of James Edward Thomas as Chief Executive Officer replacing Ole Kristian Sivertsen. These changes were implemented in 2025 and will be presented for shareholder approval at the AGM in 2026.

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.

| | Full Year | |
|---|---|---|
| NOK thousand | **2025** | **2024** |
| Lars Raunholt Eismark (Executive Chairman from 28 10 2024) | **250** | 125 |
| Maryne Lemvik | **100** | 100 |
| Marit Røed Ødegaard | **100** | 100 |
| Roar Husby (Board Member until 5 June 2025) | **50** | 50 |
| James Edward Thomas (Board Member until 22 April 2025) | **50** | 100 |
| Knut Nesse (former Chair, served until 15 October 2024) | **-** | 125 |
| Geir Hjellvik (former Board Member, until 20 June 2024) | **-** | 50 |
| **Total** | **550** | 650 |

### *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, CFO, Chief Innovation Officer and Managing Director (US).

The Board of Directors appointed James Edward Thomas as Chief Executive Officer with immediate effect on 23 April 2025, replacing Ole Kristian Sivertsen, as announced via Euronext Growth Oslo on 23 April 2025. The CEO Employment Agreement with Desert Control US, LLC was formally executed with effect from 5 June 2025, setting an annual base salary of USD 240,000. Salary recognised for 2025 reflects the period of CEO service from 23 April to 31 December 2025 on an accrual basis. Ole Kristian Sivertsen's employment ended on 31 July 2025, and his 2025 remuneration includes all settlement payments made upon termination. Leonard Chaparian served as Interim CFO throughout 2025 and was succeeded by David Borah, who was appointed CFO effective February 2026. Dr. Michael Canady joined as Chief Scientific Officer, a newly created officer position, in April 2026

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 based on 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 based in Norway are members of the defined contribution pension scheme (Nordea Liv AS). Pension cost is allocated proportionally based on salary. U.S.-based management (James Edward Thomas, Marty Weems, David Borah, Michael Canady) receive employer contributions through the U.S. benefits programme and are therefore not included in the Norwegian pension scheme. Other benefits: Members of the management team have been granted share options under the Group's share option plan, described in note 15. Share Based Payments. The share-based payment charge under IFRS 2 is shown in the 'Discounted shares' column. James Edward Thomas was granted 1,000,000 options at a strike price equal to the closing share price on 5 June 2025, with a 3-year maturity and 1/3 vesting annually. The former CEO's (OKS) 2025 remuneration includes all settlement payments made upon termination.

Severance Arrangements: The CEO (James Edward Thomas) is entitled to severance pay equal to 12 months' salary following the expiry of the 90-day notice period, in the event of termination without Cause. The former CEO (OKS) received severance per his Norwegian employment agreement. For other members of the management team, there will be an individual assessment of severance packages.

Loans and guarantees: No loans have been granted, and no guarantees have been issued to management or any member of the Board of Directors.

Under the CEO Employment Agreement, the Board may, at its sole discretion, award the CEO an annual bonus or incentive compensation following its annual review of CEO performance. The Board may also, from time to time, establish short- and long-term incentive plans that include the CEO. No bonus was earned or accrued for the CEO in respect of 2025. For other members of the management team, discretionary cash bonuses may be awarded based on individual and Company performance. A discretionary cash bonus of NOK 160 thousand was paid to the Managing Director (US).

**Remuneration to the management team for the year ended 31 December 2025**

| NOK thousand | Salary | Discounted shares | Pension | Other compensation | Total remuneration |
|---|---|---|---|---|---|
| Ole Kristian Sivertsen (CEO until 22 April 2025) | 4,928 | 1,828 | 72 | 12 | 6,840 |
| James Edward Thomas (CEO from 23 April 2025) | 1,777 | 1,173 | - | 25 | 2,975 |
| Marty Weems (Managing Director US) | 2,648 | 180 | | 110 | 2,939 |
| Jan Vader (Chief Innovation Officer) | 1,487 | 376 | 89 | 20 | 1,972 |
| Leonard Chaparian (interim CFO) [1] | - | - | - | - | - |
| **Total** | **10,840** | **3,558** | **161** | **167** | **14,726** |

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

| NOK thousand | Salary | Discounted shares | Pension | Other compensation | Total remuneration |
|---|---|---|---|---|---|
| Ole Kristian Sivertsen | 2,684 | 643 | 80 | 594 | 4,000 |
| Marty Weems (Managing Director US | 2,600 | | | 154 | 2,754 |
| Jan Vader (Chief Innovation Officer) | 1,356 | | 71 | 21 | 1,448 |
| Leonard Chaparian (interim CFO) [1] | - | - | - | - | - |
| Viggo Halseth (CIO) | 705 | - | 39 | 21 | 766 |
| **Total** | **7,345** | **643** | **190** | **790** | **8,968** |

1. Leonard Chaparian served as Contracted Interim CFO throughout 2025, engaged through Aider AS. The related service fees are included within other operating expenses (Note 5. Operating expenses (Audit and accounting services). Accordingly, no employee remuneration is reported for Leonard Chaparian in the table above. The same treatment applied in 2024.

| Shares held by the management team: | At 31 December 2025 | 2024 |
|---|---|---|
| James Edward Thomas (CEO from 23 April 2025) | 12,096,761 | - |
| Ole Kristian Sivertsen (CEO until 22 April 2025) | - | 1,050,000 |
| Leonard Chaparian (Contracted Interim CFO) | 48,594 | - |
| Viggo Halseth (former Chief Innovation Officer) | - | 10,375 |
| Marty Weems (Managing Director US) | - | - |
| Jan Vader (Chief Innovation Officer) | 200 | 200 |
| **Total** | **12,145,741** | **1,060,575** |

| Shares held by the Board of Directors: | 31-12-25 | 31-12-24 |
|---|---|---|
| Lars Raunholt Eismark (Executive Chairman from 24 October 2024) | - | - |
| James Edward Thomas (Board Member until 22 April 2025) | - | 5,343,472 |
| Roar Husby (Board Member until 5 June 2025) | - | - |
| Knut Nesse (former Chair, served until 15 October 2024) | - | - |
| Kristian P. Olesen, Board Member until 7 Jan 2024 | - | - |
| Geir Hjellvik (Board member until 20 June 2024) | - | - |
| Marit Røed Ødegaard | 63,904 | 30,000 |
| Maryne Lemvik | - | - |
| **Total** | 63,904 | 5,373,472 |

| Share options held by the management team: | 31-12-25 | 31-12-24 |
|---|---|---|
| Lars Raunholt Eismark (Executive Chairman) | 1,500,000 | 1,500,000 |
| James Edward Thomas (CEO from 23 April 2025) | 1,000,000 | |
| Ole Kristian Sivertsen (CEO until 22 April 2025) [1] | 1,194,749 | 1,350,000 |
| Leonard Chaparian (CFO) | - | - |
| Viggo Halseth (CIO until 31 December 2024) [2] | 78,000 | 78,000 |
| Marty Weems (Managing Director US) | 150,000 | 150,000 |
| Jan Vader (Chief Innovation Officer) | 450,000 | 150,000 |
| **Total** | **4,372,749** | **3,228,000** |

[1] Holdings comprise 600,000 LTIP 2022 (fully vested at July 2025) and 594,749 LTIP 2024 (originally 750,000 less 155,251 pro rata forfeit on departure), both preserved per the Termination Agreement Good Leaver provisions.

[2] Halseth ceased to be CIO on 31 December 2024 - prior year comparator only.

## Note 17. 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.

| | Full Year | |
|---|---|---|
| **Current income tax expense:** | **2025** | **2024** |
| Tax payable | 38 | 52 |
| Adjustment for income tax payable for previous periods | - | - |
| Change deferred tax/deferred tax assets (ex. OCI effects) | - | - |
| **Total income tax expense** | 38 | 52 |

| **Deferred tax assets:** | **2025** | **2024** |
|---|---|---|
| Property, plant and equipment | (12,394) | (2,125) |
| Lease liabilities | - | - |
| Other current assets | - | - |
| Liabilities | (969) | - |
| Losses carried forward (including tax credit) | 242,239 | 180,616 |
| **Basis for deferred tax assets:** | **228,876** | 112,709 |
| Calculated deferred tax assets | 50,353 | 39,268 |
| - Deferred tax assets not recognised | (50,353) | (39,268) |
| **Net deferred tax assets in the statement of financial position** | **-** | **-** |

| **Deferred tax liabilities** | **2025** | **2024** |
|---|---|---|
| Property, plant and equipment | **-** | - |
| Right-of-use assets | **-** | - |
| Other current assets | **-** | - |
| Liabilities | **-** | - |
| **Basis for deferred tax liabilities** | **-** | - |
| | | |
| **Calculated deferred tax liabilities** | | |
| Deferred tax not recognised | **-** | - |
| **Deferred tax liabilities recognised in the statement of financial position** | **-** | - |

The Group has NOK 242 million of total tax losses carried forward at 31 December 2025 (NOK 180 million at 31 December 2024). 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.

Tax losses carried forward from the discontinued operations of the liquidated Middle East entities are not included in the table above. The liquidation of the Middle East entities was completed during 2025. It remains highly improbable that these losses will be utilised against future taxable income, and 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 its tax losses carried forward.

## Note 18. Interest in other entities

### *Accounting policies*

#### *Subsidiaries*

The consolidated financial statements comprise the financial statements of Desert Control AS and its subsidiaries at 31 December 2025. 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.

There have been no new subsidiaries added in 2025, 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 2025 | Office | Currency | Shareholding and the Group's voting ownership share | Date of consolidation |
|---|---|---|---|---|
| Desert Control Americas, Inc. | USA | USD | 100% | 12/31/2025 |

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. The financial results of discontinued operations are presented as a single line item in the Consolidated Statement of Comprehensive Income.

As part of the Group's strategic exit from the Middle East, the liquidation of Desert Control Middle East LLC (DCME) is complete as of 31 December 2025. The deregistration of both the main entity and its Dubai branch has been completed, the sponsorship agreement has been terminated, and no further operational activity exists within DCME. The deregistration of both the main entity and its Dubai branch has been completed, the sponsorship agreement has been terminated, the outstanding VAT receivable with the Federal Tax Authorities has been resolved, and the Liquidator's Report has been obtained. DCME is retained as a discontinued operation classification solely for presentational purposes to ensure comparability of financial information.

## Note 19. Related party transactions

### *Accounting policies*

Related parties are defined in accordance with IAS 24. Transactions between Desert Control AS and its wholly owned subsidiary Desert Control Americas Inc. are eliminated on consolidation and are not disclosed as related party transactions in the Group consolidated financial statements.

### *Key management personnel*

Key management personnel (KMP) comprise the Board of Directors and the members of the Group's executive management team. Remuneration paid or payable to KMP is disclosed in Note 16. Remuneration to Management and the Board.

### *Other related party transactions*

During 2025, Desert Control AS engaged Lars Raunholt Eismark Advisory AS, a company controlled by Lars Raunholt Eismark (Executive Chairman of the Board), for consulting services relating to business development, investor relations, and strategic advisory activities. These services are provided in addition to Mr. Eismark's Board fees. The total consulting fees charged in FY2025 were NOK 1,144 thousand (2024: NOK 195 thousand). In addition, travel and business expenses of NOK 149 thousand were reimbursed in respect of Q1 2025 activities. An amount of NOK 316 thousand representing the Q4 2025 invoice was outstanding in accounts payable at 31 December 2025 and settled subsequent to the reporting date.

No loans have been granted, and no guarantees have been issued to members of the Board of Directors or management.

## Note 20. Subsequent events

Desert Control Group assesses all significant information received up to the date the financial statements are authorised 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.

The following non-adjusting subsequent events occurred after 31 December 2025:

### *Manufacturing contract - next-generation production unit*

On 7 January 2026, the Company signed a contract for the manufacturing of its first next-generation LNC production unit. The estimated contractual commitment is approximately NOK 10,900 thousand, to be incurred during 2026. Construction commenced in Q1 2026 with full commissioning anticipated in Q2 2026. Costs incurred under this contract are recognised as an asset under construction and will be transferred to Property, Plant and Equipment upon completion and commissioning.

### *Norway R&D laboratory closure*

Norway R&D laboratory closure In Q1 2026, the Company completed the closure of its Norway-based R&D laboratory, as planned. The wind-down of Norwegian R&D operations commenced in Q4 2025 and the associated restructuring costs of NOK 969 thousand were recognised as a provision in the 2025 financial statements in accordance with IAS 37. The closure has no further financial impact on the 2025 financial statements beyond the provision already recognised.

### *Commercial agreement - Berkeley Country Club*

On 23 March 2026, the Company signed a commercial agreement to deploy Liquid Natural Clay across the golf course at Berkeley Country Club in El Cerrito, California, following a multi-month trial. The agreement operates under the Company's Pay-As-You-Save structure. The financial impact of this agreement on future periods is not reliably determinable at the date of authorisation of these financial statements.

### *Financing Review*

On 21 April 2026, the Board initiated a Financing Review targeting gross proceeds of approximately USD 15 million, subject to market conditions, board approval, and required corporate and regulatory approvals. MW&L Capital Partners has been appointed as financial advisor. Further details are provided in Note 1 General Information and Basis of Preparation.

No other events have occurred after the reporting period that require adjustment or disclosure in these financial statements.

## Parent company financial statements


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## Statement of Profit or Loss and other comprehensive income

| | Notes | 2025 | 2024 |
|---|---|---|---|
| Revenue from contracts with customer | 2 | **149** | 293 |
| **Total revenue** | | **149** | 293 |
| Cost of goods sold (COGS) | | **16** | 122 |
| **Gross profit** | | **133** | 171 |
| Salary and employee benefit expenses | 3 | **19,704** | 24,908 |
| Other operating expenses | 4 | **24,797** | 18,996 |
| Depreciation and amortisation | 5 | **1,157** | 1,130 |
| **Operating profit or loss** | | **(45,525)** | (44,864) |
| Finance income | 7 | **6,758** | 17,111 |
| Finance costs | 7 | **10,600** | 5,122 |
| **Profit or loss before tax** | | **(49,368)** | (32,874) |
| Income tax expense | 8 | **-** | - |
| **Profit or loss for the year** | | **(49,368)** | (32,874) |
| | | | |
| ***Allocation of profit or loss:*** | | | |
| **Profit/loss attributable to the parent** | | **(49,368)** | (32,874) |
| | | | |
| ***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** | | **(49,368)** | (32,874) |
| | | | |
| ***Allocation of total comprehensive income*** | | | |
| **Total comprehensive income attributable to owners of the parent** | | **(49,368)** | (32,874) |

## Statement of Financial Position

| NOK thousand | Notes | At 31 December 2025 | 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **14,110** | 8,383 |
| Investment in subsidiaries | 9 | **1,408** | 43 |
| Deferred tax assets | 8 | **-** | |
| Intercompany receivables | 10 | **88,672** | 67,192 |
| **Total non-current assets** | | **104,190** | 75,619 |
| | | | |
| **Current assets** | | | |
| Trade receivables | | **288** | 220 |
| Other receivables | 11 | **5,229** | 4,188 |
| Other current financial assets | | **-** | 3 |
| Cash and cash equivalents | 13 | **59,359** | 62,577 |
| **Total current assets** | | **64,876** | 66,987 |
| | | | |
| **TOTAL ASSETS** | | **169,066** | 142,606 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | **363** | 161 |
| Share premium | 15, 6 | **211,120** | 155,001 |
| Retained earnings | 6 | **(49,368)** | (18,431) |
| **Total equity** | | **162,116** | 136,731 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **5,167** | 3,016 |
| Public duties payable | | **792** | 1,383 |
| Other current liabilities | | **991** | 1,476 |
| **Total current liabilities** | 16 | **6,950** | 5,875 |
| | | | |
| **Total liabilities** | | **6,950** | 5,875 |
| **TOTAL EQUITY AND LIABILITIES** | | **169,066** | 142,606 |

## Statement of Cash Flows

| NOK thousand | Notes | Full year 2025 | 2024 |
|---|---|---|---|
| **Profit or loss before tax** | | **(49,368)** | (32,874) |
| *Adjustments to reconcile profit before tax to net cash flows:* | | | |
| Depreciation and amortisation | 5 | **1,157** | 1,130 |
| Net financial income/expense | 7 | **12,428** | (5,739) |
| Foreign exchange gains or losses | | **(8,586)** | (4,130) |
| Share-based payment expense | 15 | **3,422** | 6,132 |
| Adjustments for other non-cash items | | **8,753** | 2,654 |
| | | | |
| *Working capital adjustments:* | | | |
| Changes in accounts receivable and other receivables | | **(1,109)** | (1,808) |
| Changes in trade payables, duties and social security payables | | **1,560** | 1,801 |
| Changes in other current liabilities and contract liabilities | | **(485)** | 479 |
| **Net cash flows from operating activities** | | **(32,227)** | (32,355) |
| | | | |
| **Cash flows provided by (used in) investing activities (NOK)** | | | |
| Capital expenditures and investments | 5 | **(4,319)** | (4,194) |
| Sale (Purchase) of financial instruments | 12 | **-** | 19,580 |
| Proceeds from sale of property, plant and equipment | | **-** | - |
| Interest received | | **1,105** | 2,130 |
| **Net cash flow provided by (used in) investing activities** | | **(3,214)** | 17,516 |
| | | | |
| **Cash flow provided by (used in) financing activities (NOK)** | | | |
| Proceeds from issuance of equity | 14 | **74,798** | - |
| Transaction costs on issue of shares | 14 | **(5,034)** | - |
| Net payments loans to group companies | | **(37,495)** | (20,499) |
| Interest paid | | **(48)** | (5) |
| **Net cash flows provided by (used in) financing activities** | | **32,221** | (20,505) |
| | | | |
| **Net increase/decrease) in cash and cash equivalents** | | **(3,220)** | (35,344) |
| Cash and cash equivalents at beginning of the year/period | 13 | **62,579** | 97,847 |
| Net foreign exchange difference | | **-** | 76 |
| **Cash and cash equivalents, end of period** | | **59,359** | 62,579 |

## Statement of Changes in Equity

| NOK thousand | Notes | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **At 1 January 2024** | | **161** | **312,678** | **(149,364)** | **163,474** |
| Profit (loss) for the period | | | | (32,875) | (32,875) |
| Issue of share capital | 14 | 0 | | | 0 |
| Share-based program options | 15 | | | 6,132 | 6,132 |
| Share premium reclassification | 6 | | (157,677) | 157,677 | - |
| **At 31 December 2024** | | **161** | **155,001** | **(18,431)** | **136,731** |

| | | | | | |
|---|---|---|---|---|---|
| **At 1 January 2025** | | **161** | **155,001** | **(18,431)** | **136,731** |
| Profit (loss) for the period | | - | - | (49,368) | (49,368) |
| Issue of share capital - rights issue subscription | 14 | 182 | 74,818 | - | 75,000 |
| Issue of share capital - underwriter fee shares (non-cash) | 14 | 20 | 8,050 | | 8,070 |
| Share based program options | 15 | - | 4,786 | - | 4,786 |
| Transaction costs of equity issue | 14 | - | (13,105) | - | (13,105) |
| Share premium reclassification | 6 | - | (18,431) | 18,431 | - |
| **At 31 December 2025** | | **363** | **211,120** | **(49,368)** | **162,116** |

## Notes to the financial statements

### Note 1. Summary of 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.

### Note 2. Total revenue and other income

Revenue from royalties is recognised 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.

| | Full Year | |
|---|---|---|
| **Total revenue and other income** | **2025** | **2024** |
| Licensing Royalties | **149** | 293 |
| Other income | **-** | - |
| **Total revenue and other income** | **149** | 293 |

### Note 3. Salary and employee benefit expenses

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 16 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. During 2025, the Company underwent a restructuring of its workforce in connection with the transition of R&D activities from Norway to the U.S. The related restructuring costs have been recognised in the period in which they were incurred. For further details on salaries, employee benefits, and share-based compensation, please refer to Notes 4. Salary and employee benefit expenses and 15. Share-based payments in Group consolidated financial statements.

| | Full Year | |
|---|---|---|
| **Employee benefit expenses** | **2025** | **2024** |
| Salaries | **12,718** | 15,218 |
| Social security costs | **2,486** | 2,710 |
| Pension costs | **745** | 831 |
| Other employee expenses incl. share option expense | **4,717** | 7,266 |
| **Subtotal Salaries and Benefits** | **20,666** | 26,026 |
| Government grant | **(962)** | (1,118) |
| **Total employee benefit expenses** | **19,704** | 24,908 |
| Average number of full-time employees (FTEs) | **12** | 13 |

## Note 4. Operating expenses

| Other operating expenses | Full Year 2025 | 2024 |
|---|---|---|
| Audit and accounting services | **6,008** | 5,493 |
| Research expenses | **8,523** | 4,733 |
| Consulting fees | **1,338** | 654 |
| Travel expenses | **1,161** | 1,961 |
| Hardware and software expenses | **2,489** | 2,259 |
| Lease expenses | **2,304** | 1,595 |
| Legal expenses | **1,487** | 733 |
| Regulatory expenses | **1,200** | 947 |
| Other operating expenses | **1,533** | 1,499 |
| **Subtotal Other operating expenses** | **26,044** | 19,875 |
| Government grant | **(1,248)** | (878) |
| **Total other operating expenses** | **24,797** | 18,996 |

| Auditor fees | 2025 | 2024 |
|---|---|---|
| Statutory audit | **1,033** | 535 |
| Attestation services | **238** | 430 |
| Tax advisory | **-** | - |
| Other services | **-** | 246 |
| **Total remuneration to the auditor** | **1,271** | 1,211 |

**Audit fee:** The amounts above exclude VAT.

## Note 5. Property, plant and equipment

| NOK thousand | Plant and machinery | Fixtures and | Total |
|---|---|---|---|
| **Cost at 1 January 2024** | **806** | **3,655** | **4,461** |
| Additions continued operations | 6,408 | 456 | **6,864** |
| Disposals | - | - | **-** |
| **Cost at 31 December 2024** | **7,214** | **4,111** | **11,325** |
| Additions | 6,296 | 587 | **6,884** |
| Disposals | - | - | **-** |
| **Cost at 31 December 2025** | **13,510** | **4,698** | **18,208** |
| | | | |
| **Depreciation and impairment at 1 January 2024** | **806** | **1,006** | **1,812** |
| Depreciation for the year | - | 1,130 | **1,130** |
| Impairment for the year | - | - | **-** |
| Disposals | - | - | **-** |
| **Depreciation and impairment at 31 December 2024** | **806** | **2,136** | **2,942** |
| Depreciation | - | 1,157 | **1,157** |
| Impairment for the period | - | - | **-** |
| Disposals | - | - | **-** |
| **Depreciation and impairment at 31 December 2025** | **806** | **3,293** | **4,099** |
| | | | |
| **Net book value:** | | | |
| **At 31 December 2025** | **12,704** | **1,405** | **14,110** |
| **At 31 December 2024** | **6,408** | **1,975** | **8,383** |

### LNC Production unit

During 2025, the Company completed the construction of its first mobile LNC production unit, at a total capitalised cost of approximately NOK 11.7 million (net of SkatteFUNN grant deductions). At 31 December 2025, the unit is classified as an R&D prototype undergoing field trials. The associated SkatteFUNN research project (approved through 31 December 2026) had not yet concluded at the reporting date.

No depreciation was charged on the unit during the year ended 31 December 2025, as the asset is not yet in the location and condition necessary to operate in the manner intended by management on a commercial production basis, in accordance with IAS 16.

### Note 6. Share premium reclassification

During 2025, NOK 18,431 thousand was reclassified from the share premium account to retained earnings to offset accumulated losses. This reclassification is subject to shareholder approval at the Annual General Meeting (AGM) on 17 June 2026, in accordance with the Norwegian Companies Act (Aksjeloven).

This reclassification had no impact on the Company's total equity, as it was an internal reclassification within equity. The purpose of this adjustment was to offset accumulated losses against share premium and to maintain a positive retained earnings balance in the parent company accounts.

### Note 7. Financial income and expenses

| | Full Year | |
|---|---|---|
| | **2025** | **2024** |
| Interest income | **1,105** | 5,210 |
| Gain on foreign exchange | **5,634** | 11,448 |
| Other finance income | **19** | 453 |
| **Total finance income** | **6,758** | 17,111 |

| | Full Year | |
|---|---|---|
| **Finance costs** | **2025** | **2024** |
| Loss on foreign exchange | **10,600** | 5,096 |
| Other finance expenses | **-** | 39 |
| Writedown on intercompany loans and subsidiaries | **-** | (13) |
| **Total finance costs** | **10,600** | 5,122 |

Interest income represents mainly interest income on cash deposits.

Other finance income is related to income from other current financial assets.

## Note 8. Taxes

| NOK thousand | 2025 | 2024 |
|---|---|---|
| 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:** | **31-12-25** | **31-12-24** |
|---|---|---|
| Property, plant and equipment | **(12,394)** | (13,293) |
| Right-of-use assets | **-** | - |
| Other current assets | **-** | - |
| Liabilities | **(969)** | - |
| Losses carried forward (including tax credit) | **(158,323)** | (124,385) |
| **Basis for deferred tax assets:** | **(171,686)** | (137,678) |
| Calculated deferred tax assets | **(37,771)** | (30,289) |
| **Net deferred tax assets in the statement of financial position** | **-** | **-** |
| **Deferred tax liabilities recognised in the statement of financial position** | **-** | - |

## Note 9. Interest in other entities

| Consolidated entities 31 December 2025 | Office | Currency | Shareholding and the Group's voting ownership share | Net loss NOK thousand | Equity NOK thousand |
|---|---|---|---|---|---|
| Desert Control Americas, Inc. | USA | USD | 100% | (20,017) | (82,094) |

As of 31 December 2025, the liquidation of Desert Control Middle East LLC (DCME) is complete. All accounts, including bank accounts, have been closed. The outstanding VAT receivable with the Federal Tax Authorities has been resolved. The final step in the liquidation process is obtaining the Liquidator's Report, which is expected to be completed in 2026

## Note 10. Related party transactions

Related parties of Desert Control AS include major shareholders, members of the Board of Directors, management, and its subsidiaries. The Company's structure, subsidiaries, and shareholders are provided in Note 18. Interest in other entities and Note 14. Equity and Shareholders of the financial statements.

During the year ended 31 December 2025, the following transactions occurred between Desert Control AS and Desert Control Americas Inc.:

| NOK thousand | 2025 | 2024 |
|---|---|---|
| Interest income on intercompany loan | **4,054** | 3,091 |
| Intercompany service charges billed to DCAM | **10,953** | 7,471 |
| Intercompany loan balance at 31 December | **88,672** | 67,192 |

The intercompany loan bears interest at 5.5% per annum, as set out in Amendment 2 to the intercompany loan agreement. The loan has been extended to 31 December 2027 per Amendment 2.

The intercompany service charges of NOK 10,953 thousand represent R&D project costs, management services, and operational support billed by DCAS to DCAM. These charges were settled against the outstanding intercompany loan balance rather than by cash payment. This treatment reflects DCAM's current inability to make cash payments and is consistent with Amendment 2 to the intercompany loan agreement.

The total funding commitment from DCAS to DCAM is reflected in the intercompany loan balance of NOK 88,672 thousand at 31 December 2025. This balance represents the cumulative net funding provided since DCAM's incorporation, including capitalised interest and net of any intercompany settlements.

## Note 11. Other receivables

| | At 31 December | |
|---|---|---|
| NOK thousand | 2025 | 2024 |
| Government grant receivables | **3,676** | 3,121 |
| Prepayments | **617** | 412 |
| VAT receivable | **936** | 492 |
| Other receivables | **-** | 163 |
| **Total other receivables** | **5,229** | 4,188 |

The credit loss allowance is zero. For details regarding the Group's procedures on managing credit risk, reference is made to Note 7. Other receivables in group consolidated financial statements.

## Note 12. Financial instruments

| **31-12-25,** NOK thousand | Notes | **Financial instruments at amortised** | **Financial instruments at fair value** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade receivables | | 288 | | 288 |
| Other current financial assets | | - | | - |
| Cash and cash equivalents | 13 | 59,359 | | 59,359 |
| **Total financial assets** | | **59,647** | | **59,647** |
| | | | | |
| **Liabilities** | | | | |
| Trade and other payables | 16 | 5,167 | | 5,167 |
| **Total financial liabilities** | | **5,167** | **-** | **5,167** |

| **31-12-24,** NOK thousand | Notes | **Financial instruments at amortised** | **Financial instruments at fair value** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Trade receivables | | 220 | - | 220 |
| Other current financial assets | | - | 3 | 3 |
| Cash and cash equivalents | 13 | 62,577 | | 62,577 |
| **Total financial assets** | | **62,797** | **3** | **62,799** |
| | | | | |
| **Liabilities** | | | | |
| Trade payables | 16 | 3,016 | | 3,016 |
| **Total financial liabilities** | | **3,016** | | **3,016** |

## Note 13. Cash and cash equivalents

Accounting policies: The parent company has the same accounting policies as the Group for Cash and cash equivalents. For further details, refer to Note 10. Cash and cash equivalents of the Group Consolidated Financial Statements.

| NOK thousand | **2025** | **2024** |
|---|---|---|
| Bank deposits, unrestricted | **58,907** | 61,826 |
| Bank deposits, restricted [1] | **452** | 753 |
| **Total cash and cash equivalents** | **59,359** | 62,579 |

1. Restricted bank deposits of NOK 452k (2024: NOK 753k) relate to employee tax withholding guarantee deposits required under Norwegian law.

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

## Note 14. Equity and shareholders

Of the total proceeds, NOK 201,838 was allocated to share capital and NOK 74,798,162 to share premium. The Rights Issue was oversubscribed by approximately 41.11%. The new shares were admitted to trading on Euronext Growth Oslo on or about 6 October 2025. An additional 6,535,995 shares were issued to the underwriter as settlement of non-cash share-based underwriting fees of NOK 8,070k. These shares are included in the 67,279,495 total shown in the table above. Cash transaction costs of NOK 3,906k were deducted from share premium. All transaction costs totaling NOK 11,976k have been recognised as a deduction from share premium in accordance with IAS 32.

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

**Issued capital and reserves:**

| Share capital in Desert Control AS | Number of shares authorised and fully paid | Par value per share (NOK) | Financial Position |
|---|---|---|---|
| **At 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** |
| Share issue 22 February 2025 | 120,000 | 0.003 | 360 |
| Rights issue October 2025[1] | 67,279,495 | 0.003 | 201,838 |
| **At 31 December 2025** | **121,027,472** | **0.003** | **363,082** |

[1] Comprises 60,743,500 subscription shares issued to shareholders and 6,535,995 shares issued to the underwriting consortium as settlement of the non-cash underwriting fee of NOK 8,070 thousand. Total transaction costs of NOK 13,104 thousand (NOK 5,034 thousand cash and NOK 8,070 thousand non-cash) have been deducted from share premium in accordance with IAS 32.

All shares are ordinary and have the same voting rights and rights to dividends. Movements in the parent company's equity are presented in the parent statement of changes in equity. No distributions were made to shareholders in the current or prior period.

## Note 15. Share-based payments

The Company participates in the same share option programmes as the Group. For details of the programmes, movements in options, fair value assumptions, and accounting policies, refer to Note 15 Share-based payments in the Group consolidated financial statements.

The share-based payment expense recognised in the parent company income statement for 2025 is NOK 3,421 thousand (2024: NOK 6,132 thousand). The difference compared to the Group expense of NOK 4,786 thousand relates to share-based payments granted to employees of Desert Control Americas Inc., which are recognised as an increase in the investment in subsidiary in the parent standalone financial statements in accordance with IFRS 2.

## Note 16. Trade and other liabilities

| | At 31 December | |
|---|---|---|
| NOK thousand | **2025** | **2024** |
| Trade and other payables | 3,268 | 1,117 |
| Other payables[1] | 207 | 1,899 |
| Public duties payable | 792 | 1,383 |
| Other current liabilities | 2,684 | 1,476 |
| **Total trade and other payables** | **6,950** | 5,875 |

1.For further details see Note 8. Current liabilities in Group consolidated financial statements

## Note 17. Subsequent events

Desert Control AS assesses all significant information received up to the date the financial statements are authorised 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. 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.

The following non-adjusting subsequent events occurred after 31 December 2025: In Q1 2026, Desert Control AS completed the closure of its Norway R&D laboratory in Sandnes.

A restructuring provision of NOK 969k was recognised in the 2025 financial statements in connection with this planned transition.On 21 April 2026, the Board initiated a Financing Review targeting gross proceeds of approximately USD 15 million, with MW&L Capital Partners appointed as financial advisor. Further details are provided in Note 1 General Information and Basis of Preparation.

For further details on subsequent events, refer to Note 20 Subsequent Events in the Group consolidated financial statements

## Statement of the Board and the Chief Executive Officer of Desert Control AS

Today, the Board of Directors and the Chief Executive Officer reviewed the 2025 Annual Report, which includes the Board of Directors' Report, the consolidated and parent company financial statements of Desert Control AS as of 31 December 2025.

To the best of our knowledge, Desert Control AS has assessed all significant information received up to the date the financial statements are authorised 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. No adjusting events have occurred after 31 December 2025. Material non-adjusting subsequent events are disclosed in Note 20. Subsequent events to the consolidated financial statements.

To the best of our knowledge, the consolidated financial statements for the Desert Control Group for the year ended 31 December 2025 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.

To the best of our knowledge, 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 2025.

This statement is given in accordance with Section 5-5 of the Norwegian Securities Trading Act.

**Sandnes, 12 May 2026**

This Annual Report has been signed electronically. The signed version is held on file by Desert Control AS.

**Lars R. Eismark,** Executive Chairman

**Maryne Lemvik**, Board Member

**Jacob Christfort**, Board Member

**Marit Røed Ødegaard,** Board Member

**Juli Jessen,** Board Member

**James Edward Thomas**, Chief Executive Officer

Shape the future
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Statsautoriserte revisorer
Ernst & Young AS

Vassbotnen 11a Forus, 4313 Sandnes
Postboks 8015, 4068 Stavanger

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
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 2025, 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 2025, 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 2025 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 2025 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 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 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 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 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.

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, 12 May 2026
ERNST & YOUNG AS

*The auditor's report is signed electronically*

Gunn Helen Askvik

State Authorised Public Accountant (Norway)



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# Additional information

## Forward-looking statement

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.

## Foreign exchange rates

The Group's reporting currency is Norwegian Kroner (NOK). The functional currency of Desert Control AS is NOK, and the functional currency of Desert Control Americas Inc. is USD. The USD/NOK exchange rates published by Norges Bank have been applied: closing rate at 31 December 2025 of 10.0791 (31 December 2024: 11.3553) and weighted average for 2025 of 10.3687 (2024: 10.7568). Income and expense items of foreign operations are translated at the weighted average rate for the period and balance sheet items at the closing rate. During 2025, the Norwegian Krone strengthened approximately 11% against the U.S. Dollar.

## Alternative performance measure

***EBITDA** is defined as operating profit/(loss) before depreciation and amortization.

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**Group HQ - NORWAY**
Desert Control AS
Grenseveien 214313 Sandnes,
Norway

**Phoenix / Arizona**
378060 W Smith Enke Rd
Maricopa, AZ 85138

**Yuma Desert Control**
1219 E 21st St Ste B
Yuma, AZ 85365-2023

DESERT CONTROL