

Q2 Report and financial results 2025





CEO letter

Fellow Shareholders,

As more fully detailed below, our company has had a variable last four months. We had successful applications at California State University, Fullerton and Oasis Date mixed results at Woodland Hills Country Club and challenges at PGA West. In the research area, we have encouraging yield data in cantaloupe and broccoli coming from our work with the University of Arizona Maricopa and a lost trial in corn at the University of Arizona, Yuma that suffered poor germination and fungal disease across both the treated and control blocks. Our partners in the Middle East made meaningful progress on many fronts, including a first commercial application by Saudi Desert Control and a new landscaping contract for Soyl, but some of the very large opportunities in that region continue to be delayed.

Before diving into the details, I first want to assure you that nothing we have learned in the last months has caused our belief in LNC as both a product and an important tool in addressing the pressing global challenges of water shortage and soil degradation to waver. When we deploy LNC in the right quantities and soils, we see results, as we have at Oasis Date and California State Fullerton.

Next, let me address our challenges at Woodland Hills and PGA West. While definitive conclusions cannot be drawn, we strongly believe that in both places we momentarily lost control of both our production operations and the injection of finished product into customer irrigation lines. Neither is good, but both are addressable at the operational, rather than the technology, level. Applications

on golf courses are the most challenging that we attempt. The irrigation systems are high pressure, the sprinklers have low tolerances to foreign debris and the exact details of the systems are sometimes lost to history. To be compatible with these systems, we need to be very precise in how we blend our product into and through these systems. The team is currently testing new injection equipment, running test sprinklers to failure, and revising our standard operating procedures to ensure that we are much better aligned with the high precision needs of these applications. Painful, but we are learning from our mistakes, and I would remind shareholders that we delivered over 4.5 million liters of material at Woodland Hills, the course is operating as usual, and we still expect to have a significant impact on their water usage.

Also, as mentioned above, we have seen good yield improvements in both cantaloupe and broccoli in certain plots of our field trials at University of Arizona's Maricopa Research site. These results mirror other yield data we have seen in prior studies and confirm that LNC can have a beneficial effect on both water use and yield. Reducing water consumption is important in many areas; increasing yield is important everywhere. We will continue studying yield, in addition to water savings, in trials with both academic institutions and commercial growers and believe that paring academia and commercial growers in single studies best replicates real world experience while producing scientifically valuable results. We began such a study with our long-time partner, Oasis Date, earlier this week.

In closing, I would also like to address our progress in bringing more focus to the company's operations and strategic direction. Last quarter, I emphasized that Desert Control's opportunity set was too large and its staff too few. That clearly remains the case and we have made both easy and hard choices to define what we will pursue and what we will leave for future years. Commercially, we are ever more focused on permanent crops and golf/landscaping, particularly in California. We are realigning the sales and research organizations to bring greater emphasis to these markets. California is home to more than 800 golf courses, countless parks and playing fields, and more than 200 million fruit and nut trees. Independent research identifies a market opportunity of over \$400 million in these segments in soils with greater than 80% sand. I am not suggesting that we are giving up on the billions of market potential in other crops or other geographies, but we have plenty of opportunity in our own backyard and with a market capitalization of less than \$30 million, we have lots of upside in just our current American Southwest and Middle Eastern locations.

As always, we appreciate your support and interest.

James Thomas

Chief Executive Officer
Desert Control





Chair's corner

Second quarter 2025 was a quarter where Desert Control executed on the strategy of market focus, partnerships, organizational development and operational procedures. It was a quarter full of important learnings and a recognition of the fact that Desert Control is still on a journey out of the venture stage and into a stable going concern. Having said that second quarter was also a quarter full of optimism as our pilots are showcasing promising results, our research and development (R&D) pipeline is being narrowed into highly relevant new technologies that make new attractive customer segments addressable.

The Desert Control organization has been very focused on the market segments that management and the board has deemed short and medium term priorities. Hence, the sales and deployment teams have been active in maturing the sales pipeline with new leads and proposals across permanent crops and turf. These efforts have also included a broader focus across permanent crops to include e.g., almonds and wine. The focus on turf is centered around the golf courses with highly addressable water usage and cost; mainly in California where potential is plentiful. The efforts – and hence the build of a strong pipeline – has once again underlined the need to enlarge our sales team with additional sales and marketing muscles, and the recruiting efforts are ongoing and a top priority for management.

I have personally had the pleasure to visit our teams several times during second quarter. It gave me insights to the environments we are operating

under and the need for very close customer interaction; pre, during and post. It is painstakingly tough to work under the sun in 47 degrees Celsius, and at the same time resolve technical surprises in the customers' infrastructure. Our customers are very professional in co-solutioning and problem solving, but we need internal processes and protocols where learnings and customer interaction procedures are solid and well documented. This fosters excellence and a top performance environment while also being a solid foundation for training purposes and competency development.

I also had a very interesting visit to our partner Saudi Desert Control. I was – and still am – immensely impressed with the network of personal customer relationships across highly relevant customer segments, research institutions and government bodies. After a long and time consuming certification process, the appetite for commercial traction is very high and the organizational build underlines the ambitions for Saudi Desert Control. It is essential – as with our partner SOYL in UAE – that we engage and collaborate closely with our partners and ensure an ongoing transfer of knowledge and experiences across all functional areas. Their success is our success – and vice versa. On the same note, I look forward to visiting our partner SOYL during third quarter which will be included in my third quarter briefing.

On a final note: as a maturing and learning organization working with a complicated technology under very harsh environments

and with different customer setups, we do experience challenges in our delivery and technical application while on the customer site. It is not a surprise and the team is 100% focused on maturing our operational approach. The challenges will be overcome. At the same time, the potential of our technology, services and overall value proposition is increasing day by day. The lack of water, the cost of water, the deterioration of water quality and the cost of water distribution are global issues and the relevance of Desert Control is confirmed daily. The potential is there and we are confident that Desert Control will have a substantial part of the share.

Yours sincerely,

Lars Raunholt Eismark
Executive Chairman



Financial review

NOK, million	Quarters		First Half	
	Q2 2025	Q2 2024	2025	2024
LNC Revenue	0,11	0,51	1,63	1,77
Licensing Royalties	0,02	-	0,09	-
Other Income	-	-	-	-
Total revenue and other income	0,13	0,51	1,72	1,77
EBITDA	-15,88	-16,05	-30,93	-30,45
Profit / (Loss) for the Period	-19,28	-22,31	-41,30	-30,22
Total cash balance (Bank deposits and funds)	24,84	90,89	24,84	90,89
Equity at 30 June	43,71	99,94	43,71	99,94
Equity Ratio	89,4%	94,5%	89,4%	94,5%

In the second quarter of 2025, Desert Control advanced its operational activities, including the completion of a major LNC application in the U.S. under a performance-based PAYS contract. Preparatory steps were also taken to support potential future growth in the U.S. market. In the Middle East, turf applications under existing licenses continued, although broader market adoption remains at an early stage.

Revenue for the quarter and year to date declined reflecting the nature of the PAYS contract, where revenue is recognized only when measurable water savings are achieved by the customer. As a result, the extensive application work performed during the quarter is expected to contribute to revenue in subsequent periods, most likely in the third quarter and beyond.

The majority of direct costs associated with the U.S. project have been capitalized as contract assets and presented under "Other receivables" in the balance sheet. These costs will be amortized into cost of goods sold upon revenue recognition. This accounting treatment explains the relatively flat EBITDA performance despite significant operational delivery in the second quarter.

EBITDA remained broadly stable quarter over quarter and year to date. The impact of increased operational activity in the U.S. was offset by cost discipline and improved delivery efficiency through the Company's next-generation production system.

The net loss for the second quarter was lower than in the corresponding period last year, driven by a more efficient cost base and slightly reduced operating expenses. Year-to-date, the net loss remains higher than in 2024, reflecting the seasonality of revenue recognition and the timing of project execution, with stronger contributions expected in the second half of the year.

Cash and cash equivalents stood at NOK 24.84 million as of 30 June 2025, down from NOK 90.89 million in the prior year. The reduction reflects planned investments in product development, commercial activities, and team expansion to support future growth.

Equity was NOK 43.71 million, with an equity ratio of 89.4%, compared to NOK 99.94 million and 94.5% one year earlier. The decline is due to accumulated losses. Although leverage remains low, the reduced equity base offers a thinner buffer against continued losses.

The Company's current cash position is expected to fund operations into the fourth quarter of 2025, excluding any future revenues. The Board is actively pursuing funding options and evaluating cost optimization measures to extend the financial runway. While progress is being made, there remains material uncertainty regarding funding beyond the third quarter of 2025.

NOK 25M

Total cash
and financial
assets

89,4%

Equity ratio



Company update

United States

The US business continues to expand its commercial and operational impact across permanent crop agriculture, golf and ornamental landscape customer segments. In the second quarter we successfully applied LNC through customer irrigation systems at Tempe Marketplace, California State University, Fullerton and Anthony Vineyards. We additionally had a successful Phase 2 deployment with Mesa del Sol golf course in the second quarter. A trial of LNC was applied through the customer irrigation system in early third quarter of 2025 at Silverwood, a new community in Hesperia, CA. Silverwood will be home to as many as 50,000 residents and is expected to use >\$4M/yr in irrigation water.

As already mentioned, in the second quarter we also experienced challenges in other applications of LNC through customer irrigation systems. In both situations, a small percentage of customer sprinklers were impacted. The likely cause of the issues was the unintended deployment of higher concentration of LNC. Follow-up testing indicates that we can mitigate the challenge with modest modifications to our production and injection equipment, using simple off-the-shelf components, combined with lowering the concentration of the

LNC leaving the production unit. We are especially proud of how our teams in R&D, engineering and field operations came together quickly to isolate the root causes, offer solutions and execute testing to confirm a path forward.

Our relationship with Oasis Date continues to expand. Due to promising observations by their agronomy team, they have committed to commercial scale yield improvement trials of LNC. Along with our other recently published positive yield data, these trials would help establish the economic benefit of LNC in commercial farming that is not water challenged. The trial is scheduled to begin in the third quarter. Desert Control and Oasis Date will be collaborating in this study with The University of Arizona to facilitate validation and publication of both interim analytical and final yield data.

Our relationship with Berkeley Country Club continues to remain positive as the golf club has requested a second trial application to confirm expectations of LNC performance across the different soil types and drainage profiles of their property.

During the second quarter, the US business intensified its market focus on permanent crops and landscape that includes golf courses, and ornamentals. The company continues to expand

Phase 1 and Phase 2 trials and pilots with focus in California and the greater Southwestern USA. In the third quarter of 2025, we will execute our first trial application for California almonds, the largest tree crop in the state.

Middle East licensed partners

Despite some well publicized scope and schedule adjustments for a few highly visible giga-projects in the region, most large-scale landscaping and greening initiatives continue to move forward. Projects like Green Riyadh, King Salman Park, Sports Boulevard and King Salman International Airport in Riyadh remain very active and with a strong focus on sustainability, underpinning the Kingdom's long-term Vision 2030 environmental goals. In the UAE, developments such as Sharjah Sustainable City, Dubai Green Spine and the Masdar City expansion in Abu Dhabi show the continued drive for urban greening. For example, a large tender was issued in UAE in the second quarter for technology based solutions creating irrigation efficiencies in existing public parks. The tender specifically asks the participants to provide the upfront capital cost in exchange for a share of the water savings, which we call a PAYS (Pay-As-You-Save) model. Our partners' deepening focus on turf, landscape, and nursery applications is





Company update

reinforcing Liquid Natural Clay's relevance for the large-scale green infrastructure developments continuing in the region.

In the Kingdom of Saudi Arabia, Saudi Desert Control ("SDC") completed its first commercial project with Atlas Turf at their flagship turf farm outside Riyadh. The application spanned 3.7 hectares and marked a milestone as the first revenue-generating operation for SDC in the Kingdom. SDC also advanced their engagement in the tree nursery sector by initiating a proof-of-concept at Rabiah Construction's Tina Nursery, adding to the promising pilots in progress for private and public tree nurseries. These initiatives tie into the large tree planting plans that form key parts of the Green Riyadh and Saudi Green initiatives. Meanwhile, another landscaping pilot was carried out in the Mohammed Bin Salman Nonprofit City—also known as Misk City—further strengthening the case for LNC for new development zones in Riyadh. SDC's commercial capacity has been strengthened through the addition of business development resources in Riyadh and in the Eastern Province.

In the UAE, Soyl completed the final sections of its LNC deployment for the Dubai Hills residential landscape areas and performed LNC treatment at Greenview in Dubai South, both Emaar-led communities. The team also concluded the second

stage of the turf project at Trump International Golf Club in Dubai, following the successful results from the initial 2024 pilot. Another landscaping pilot was initiated in July at a VIP residence on one of the Abu Dhabi islands, highlighting the leadership shown in the emirate on sustainability initiatives. The earlier awarded new park project within Masdar City is expected to be ready for LNC treatment mid third quarter of 2025 and will further support Soyl's position as a preferred partner for urban greening in sustainability-focused developments.

Also, in the second quarter Soyl got the first results from the collaborative pilots with Tanmiah Food Company in Saudi. Further analysis and data gathering is in progress, but early indications showed significant water savings combined with yield increases for quinoa, most notably for highly saline, recycled water.

Innovation and technological developments

Desert Control's innovation and technology teams continue to focus on the role that LNC can play in building soil health and saving water and other inputs. During the quarter, we saw encouraging incremental results across many domains and



Company update

exciting early data in microbial activity as more fully detailed below. The teams were, also, deeply involved in support, analysis and follow-up of the operational challenges faced in the US in the second quarter.

On the Production Systems side, the initiation of manufacturing of the next-generation high-volume production units encountered some delays due to internal personnel shortages and extended quotation cycles experienced from potential vendors. Despite this, the Company is currently in discussions with shortlisted manufacturers to initiate the fabrication of the first unit. Encouragingly, operational feedback from golf course applications during the second quarter confirmed that observed challenges will not significantly affect the core design of the main production units, and the system remains on track to be the cornerstone of future scalability efforts.

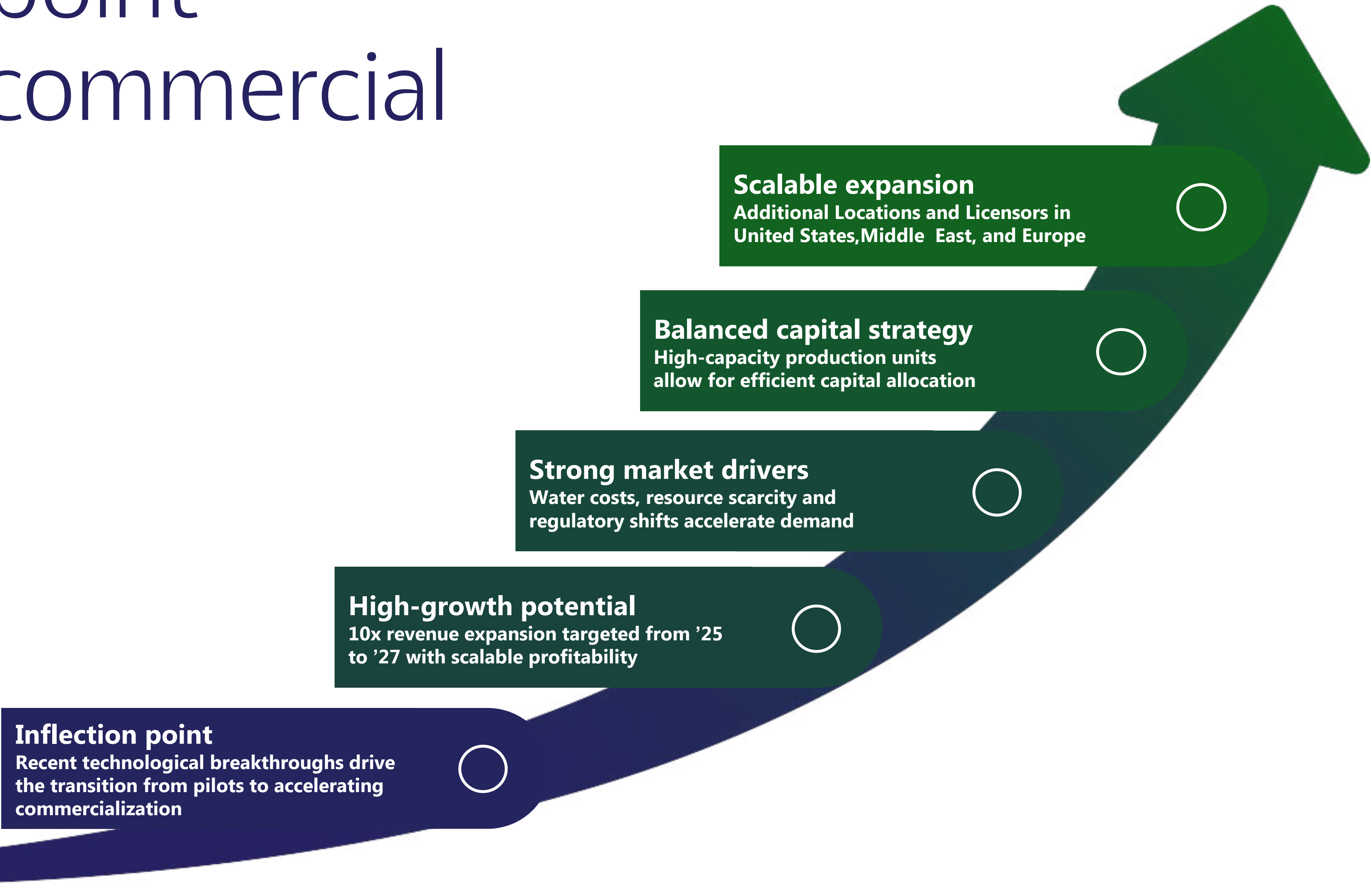
Within R&D, success has been seen in improving microbial activity under extreme soil conditions. Controlled trials demonstrated that combining LNC with beneficial microbes significantly enhances microbial colonization even in saline, calcareous, and heat-stressed soils. These findings show how LNC fosters a dynamic interface between soil, water, and microbes—reducing leaching, improving nutrient retention, and enhancing root development.

Building on this synergy, new trials are underway to quantify Nutrient Use Efficiency (NUE) in real-world settings, with a focus on date palms and citrus crops. Field trials will be executed in collaboration with Oasis Date to examine yield response under two different LNC treatment schedules, and similar trials are being evaluated on lemon trees in Yuma, Arizona, in partnership with a commercial grower and the University of Arizona Extension Services.

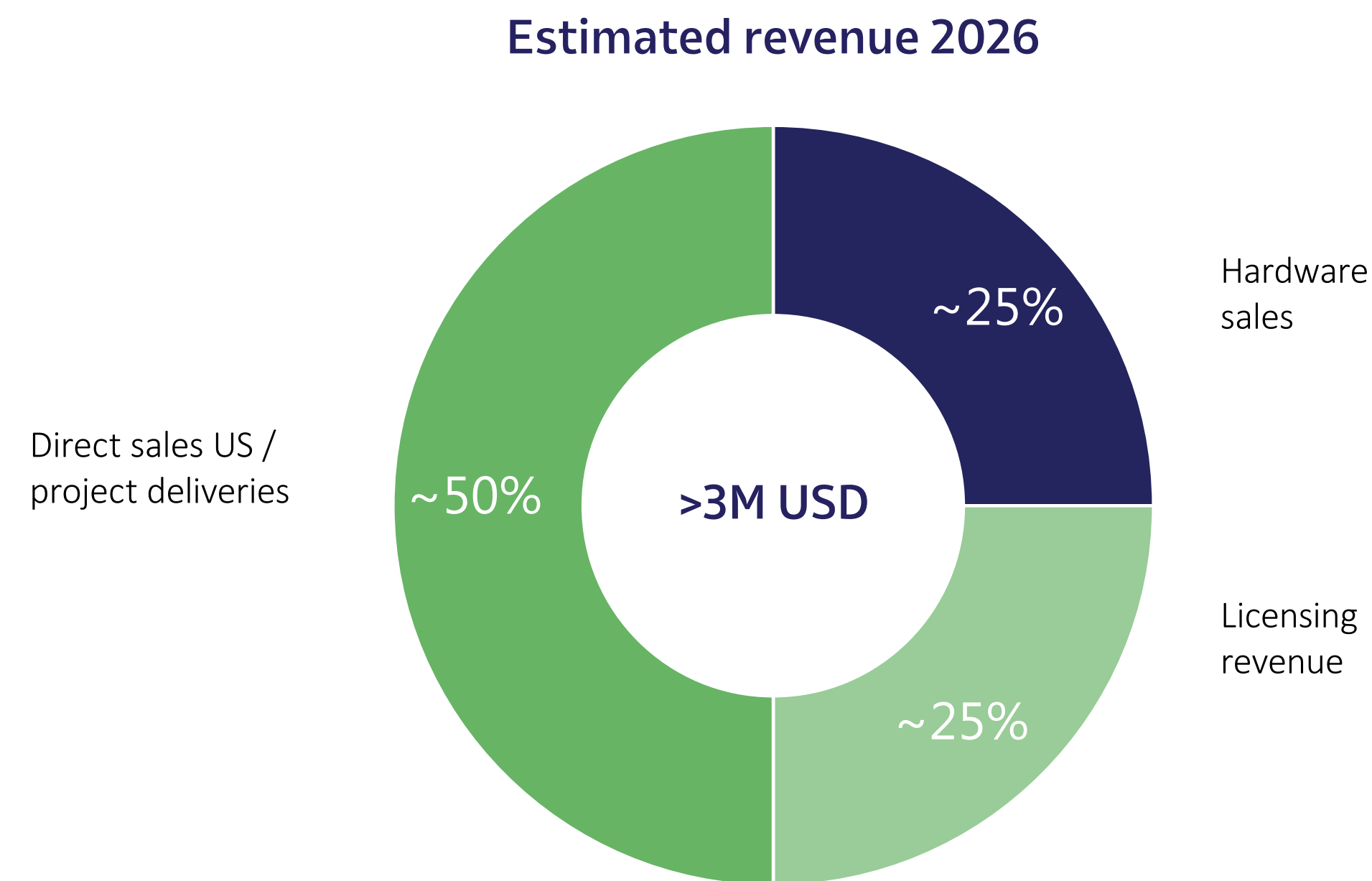
These initiatives follow up on encouraging results recently published from the University of Arizona Maricopa Agricultural Center (MAC) field studies on broccoli and cantaloupe. The third-party field evaluations shed more light on the potential agronomic benefits of LNC beyond its well-established water retention capabilities.



Inflection point broadens commercial expansion



Milestones expected over the next 18 months



Revenue defined as revenue recognized for the fiscal year + further revenue expected to be generated through PAYS contracts over the remaining contracting period

Key milestones for 2025/2026

- Better execution in all areas, particularly in California
- Construction and delivery of new production units
- 8 golf course pilots
- 7 agriculture pilots California
- 2 full golf course applications
- Initiation of large-scale contract in the Middle East
- Continuation of research confirming additional use cases and yield increase within agriculture segment

Outlook strategic priorities for 2025/2026

U.S. Golf & Landscaping

Expanding LNC's footprint in golf and turf management, building on the early success of the pay-as-you-save model to drive recurring revenue and expand adoption.

U.S. Agriculture

Scaling deployments in high-value permanent crops, leveraging industry partnerships and strong reference projects to drive adoption.

Middle East

Growing licensing revenues and deployment volumes in the Middle East following the transition of pilot projects into larger-scale commercial implementations.

Technology

Executing the commercial launch of the next-generation production system, unlocking significant operational efficiencies, cost reductions, and the ability to meet increasing demand while opening new revenue opportunities from sales of production units and hardware to partners.

Going concern and capital outlook

As of June 2025, Desert Control held a cash balance of NOK 25 million and had no interest-bearing debt. The Company has continued to focus on cost efficiency and optimizing its operations to support commercial scale-up while maintaining financial discipline.

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

The Board is actively evaluating funding alternatives and strategic partnerships to secure additional resources as needed.

This may include potential equity financing, grants, and cost-optimization measures to extend the financial runway and enable execution of the long-term growth plan. In conjunction with these evaluations, the Board may also assess other strategic alternatives to enhance shareholder value.

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

In accordance with §2-2(8) of the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared based on the going concern assumption. The Company has sufficient financial resources to cover planned operations into the fourth quarter of 2025. The Board is actively working to secure additional capital to support further

growth and long-term sustainability. As such, a material uncertainty exists beyond this period.

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



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Consolidated statement of comprehensive income

(Amounts in NOK thousand)	Note	Quarters		First half	
		Q2 2025	Q2 2024	2025	2024
Revenue from sales	2	128	507	1 720	1 770
Other income		-	-	-	-
Total revenue and other income		128	507	1 720	1 770
Cost of goods sold (COGS)		74	89	685	242
Gross profit		55	418	1 034	1 527
Salary and employee benefit expenses		7 359	7 399	14 963	17 230
Other operating expenses		8 579	9 054	17 005	14 744
Depreciation and amortisation		835	1 139	2 041	2 424
Operating profit or loss		-16 718	-17 174	-32 975	-32 870
Finance income		244	1 968	639	10 126
Finance costs		2 800	7 076	8 943	7 081
Profit or loss before tax from continuing operations		-19 274	-22 282	-41 279	-29 825
Income tax expense		9	9	23	59
Profit or loss for the year from continuing operations		-19 283	-22 291	-41 302	-29 884
Discontinued operations					
Profit or loss after tax for the year from discontinued operation		-	-16	-	-339
Profit or the loss for the year		-19 283	-22 307	-41 302	-30 223

(Amounts in NOK thousand)	Quarters		First half	
	Q2 2025	Q2 2024	2025	2024
Allocation of profit or loss:				
Profit/loss attributable to the parent	-19 283	-22 307	-41 302	-30 223
Other comprehensive income:				
<i>Items that subsequently may be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations	3 248	-82	7 958	-271
Total items that may be reclassified to profit or loss	3 248	-82	7 958	-271
Total other comprehensive income for the year	3 248	-82	7 958	-30 494
Total comprehensive income for the year	-16 035	-22 389	-33 344	-30 494
Allocation of total comprehensive income				0
Total comprehensive income attributable to owners of the parent	-16 035	-22 389	-33 344	-30 494

Consolidated statement of financial position

	Note	At 30 June		At 31 December	Note	At 30 June		At 31 December
		2025	2024	2024		2025	2024	2024
(Amounts in NOK thousand)		(unaudited)	(unaudited)	(audited)		(unaudited)	(unaudited)	(audited)
ASSETS								
Non-current assets								
Property, plant and equipment		12 872	8 201	11 292				
Right-of-use assets		-	201	-				
Total non-current assets		12 872	8 403	11 292				
Current assets								
Inventory		263	277	152				
Trade receivables		408	18	376				
Other receivables	3	11 234	6 131	6 031				
Other current financial assets		-	2	3				
Cash and cash equivalents	4	24 840	90 887	63 572				
Total current assets		36 745	97 316	70 133				
TOTAL ASSETS		49 617	105 718	81 426				
EQUITY AND LIABILITIES								
Equity								
Share capital	5	161	161	161				
Share premium	6	82 562	323 776	135 118				
Currency translation differences		2 294	-124	-5 664				
Retained earnings	6	-41 302	-223 877	-54 845				
Total equity		43 715	99 937	74 769				
Current liabilities								
Current lease liabilities		-	210	-				
Trade and other payables		3 906	4 113	3 448				
Public duties payable		512	915	1 383				
Other current liabilities		1 484	543	1 826				
Total current liabilities		5 902	5 781	6 657				
Total liabilities		5 902	5 781	6 657				
TOTAL EQUITY AND LIABILITIES		49 617	105 718	81 426				

Sandnes, 14.08.2025

Lars R. Eismark
Executive Chairman

Marit Røed Ødegaard
Board Member

Maryne Lemvik
Board Member

Roar Husby
Board Member

James Thomas
Chief Executive Officer



Consolidated statement of cash flows

(Amounts in NOK thousand)	Quarters		First half	
	Q2 2025	Q2 2024	2025	2024
Profit or loss before tax from continuing operations	-19 274	-22 282	-41 279	-29 818
Profit or loss before tax for discontinued operations	-	-16	-	-339
<i>Adjustments to reconcile profit before tax to net cash flows:</i>				
Depreciation and amortisation	-372	1 139	835	2 424
Net financial income/expense	33	5 111	-354	-3 048
Foreign exchange gains or losses	272	-	5 306	-
Share-based payment expense	1 455	1 393	2 641	2 787
Derecognition of Goodwill	-	-	-	-
Adjustments for other non-cash items			1 270	-
<i>Working capital adjustments:</i>				
Changes in accounts receivable and other receivables	-1 834	-186	-5 343	-1 019
Changes in trade payables, duties and social security payables	612	2 181	413	2 121
Changes in other current liabilities and contract liabilities	429	-673	342	-438
Net cash flows from operating activities	-18 141	-13 333	-36 170	-27 330

(Amounts in NOK thousand)	Quarters		First half	
	Q2 2025	Q2 2024	2025	2024
Cash flows provided by (used in) investing activities (NOK)				
Capital expenditures and investments	-497	-1 251	-3 014	-2 323
Sale (Purchase) of financial instruments	-	-0	-	19 613
Proceeds from sale of property, plant and equipment	-	-	-	-
Interest received	227	-	615	-
Net cash flow provided by (used in) investing activities	-270	-1 251	-2 399	17 290
Cash flow provided by (used in) financing activities (NOK)				
Proceeds from issuance of equity	-	-	-	-
Transaction costs on issue of shares	-	-	-	-
Lease payments	-	-129	-	-256
Interest paid	-19	-	-19	-
Net cash flows provided by (used in) financing activities	-19	-129	-19	-256
Net increase/(decrease) in cash and cash equivalents	-18 431	-14 713	-38 589	-10 296
Cash and cash equivalents at beginning of the year/period	43 313	105 125	63 575	100 008
Net foreign exchange difference	-42	475	-145	1 176
Cash and cash equivalents, end of period	24 841	90 887	24 841	90 887



Consolidated statement of changes in equity

(Amounts in NOK thousand)	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	-			-30 223	-30 223
Currency translation differences in OCI					-
Issue of share capital	0				0
Share based program options			-44	-1 650	-1 694
Share premium reclassification (Note 6)		2 597		190	2 787
At 30 June 2024	161	323 777	-124	-223 877	99 938
At 1 January 2025	161	135 118	-5 664	-54 845	74 770
Profit (loss) for the period				-41 653	-41 653
Currency translation differences in OCI			7 958		7 958
Issue of share capital (Note 3)	0				0
Share based program options		2 641			2 641
Share premium reclassification (Note 5)		-55 197		55 197	-
At 30 June 2025	161	82 562	2 294	-41 302	43 716

Notes to the condensed interim financial statements

1 General information and basis of preparation

General information

The condensed interim financial statements of Desert Control AS and its subsidiaries (collectively, "the Group", "Company" or "Desert Control") for the three months period ended 30 June 2025 were authorised for issue by a Board meeting held on 14 August 2025.

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

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

Basis of preparation

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 presented for the corresponding period in the prior year, consistent with the requirements of IAS 34.

These interim financial statements are unaudited and do not include all the disclosures required in a full set of annual financial statements

Presentation currency and functional currency

The consolidated financial statements are presented in Norwegian Kroner (NOK), which is also the functional currency

of the parent company. For each entity, the Group determines the functional currency and items included in the

financial statements of each entity are measured using that functional currency.

For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating

significantly, transaction date exchange rates are applied for significant transactions. The subtotals and totals in some of the tables in the notes may not equal the sum of the amounts shown in the primary financial statements due to rounding. All amounts have been rounded to the nearest thousand unless otherwise stated.

Going concern basis of accounting

The Board of Directors has assessed Desert Control's financial position and future outlook in line with applicable financial reporting standards. As of August 14, 2025, the company's current

liquidity position supports operations into early fourth quarter of 2025 based on planned activities, excluding future revenues.

The Board is actively implementing measures to strengthen the financial runway, including evaluating opportunities for additional funding and cost optimization. While these initiatives are expected to enable continued operations, their successful completion carries inherent uncertainties.

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

2 Revenue from contracts with customers

Accounting policies

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

For certain performance-based contracts, revenue is deferred until measurable outcomes are achieved by the customer. Although related fulfillment activities occurred during the period, no revenue has been recognized in the second quarter of 2025. Associated costs have been capitalized as contract assets and will be amortized upon future revenue recognition.

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

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

By area of operation: (Amounts in NOK thousand)	Quarters		First half	
	Q2 2025	Q2 2024	2025	2024
Liquid NaturalClay (LNC) continued operation	111	507	1633	1770
Licensing Royalties	18	0	86	0
Total Revenues from contracts with customers and other revenues	128	507	1720	1770

By geographic market:	Quarters		First half	
	Q2 2025	Q2 2024	2025	2024
Norway	18	0	86	0
USA	111	507	1633	1770
Revenue from contracts with customers	128	507	1720	1770



3 Other receivables

Accounting policies

Other receivables are measured at initial fair value and subsequently at amortized cost. This category includes VAT receivables, government grants, capitalized contract costs (contract assets), and other current claims. Capitalized contract costs relate to direct fulfillment costs incurred under performance-based customer contracts, which are recognized in accordance with IFRS 15 and amortized into cost of goods sold upon revenue recognition.

The increase in other receivables compared is primarily driven by higher government grant receivables resulting from increased SkatteFUNN-eligible R&D activity, as well as the capitalization of contract fulfillment costs related to the PAYS contract project, which are presented as contract assets.

	At 30 June		At 31 December
	2025	2024	2024
Other receivables			
Government grant receivables	5 140	2 250	3 121
Contract assets	1 502	-	-
VAT receivable	743	759	1 300
Prepayments	745	648	1 273
Other receivables	3 104	2 474	337
Total other receivables	11 234	6 131	6 031

The credit loss allowance is insignificant.



4 Cash and cash equivalents

Accounting policies

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

	At 30 June		At 31 December
	2025	2024	2024
Cash and cash equivalents	(unaudited)	(unaudited)	(audited)
Bank deposits, unrestricted	24 275	91 048	62 821
Bank deposits, restricted	566	-161	753
Total cash and cash equivalents	24 840	90 887	63 574

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



5 Equity and shareholders

Accounting policies

Costs related to equity transactions

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

Distribution to shareholders

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

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

Issued capital and reserves:

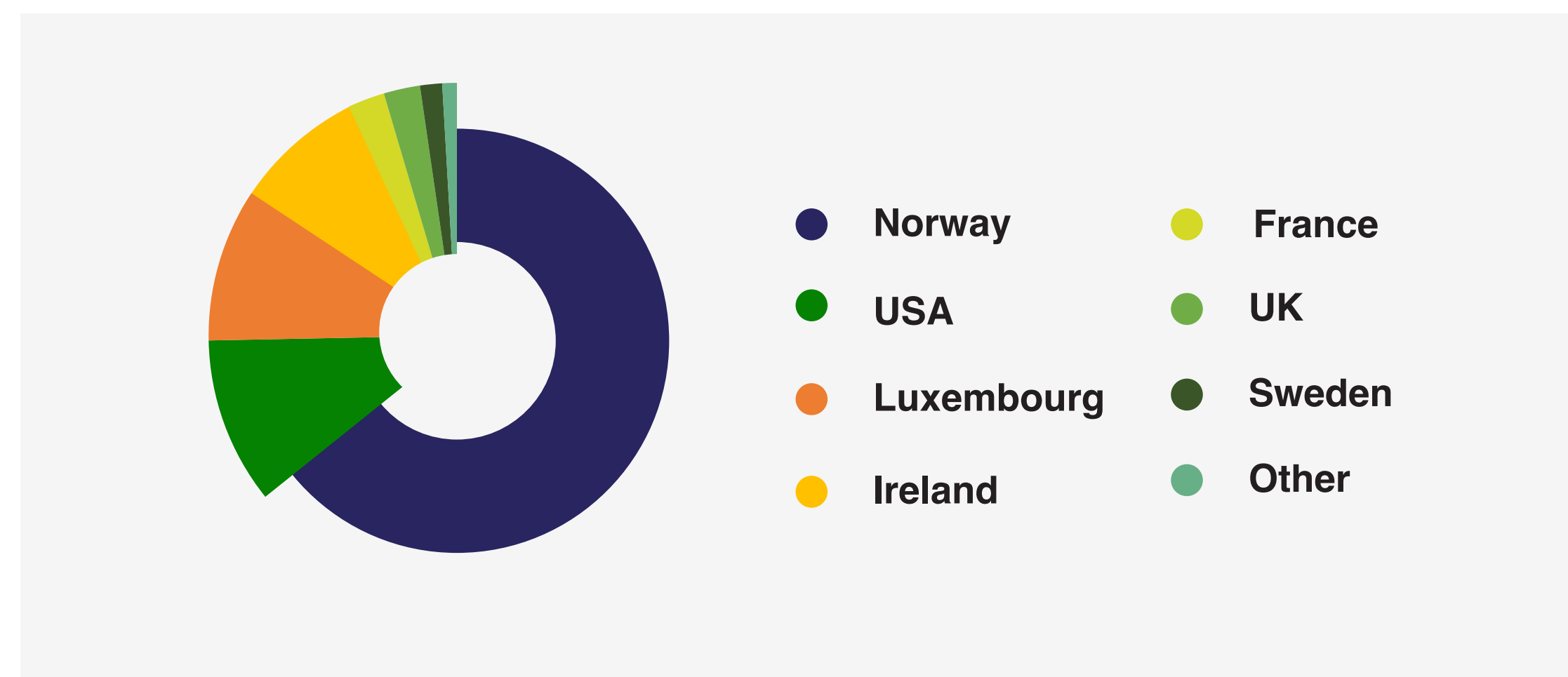
Share capital in Desert Control AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position
At 31 December 2022	41 099 680	0,003	123 299
Share issue 10 March 2023	227 109	0,003	681
Share issue 31 July 2023	1 000 000	0,003	3 000
Share issue 13 October 2023	10 000 000	0,003	30 000
Share issue (rep) 17 November 2023	1 181 188	0,003	3 544
Share issue 22 February 2024	120 000	0,003	360
At 31 December 2024	53 627 977	0,003	160 524
Share issue 6 January 2025	120 000	0,003	360
At 30 June 2025	53 747 977	0,003	160 884

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

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

The Group's shareholders:

Shareholders in Desert Control AS at 30.06.2025	Total shares	Ownership/ Voting rights	Country of origin	No of shares	%	No of shareholders
Woods End Interests LLC	5 343 472	9,9%	Norway	34 344 860	63,9%	3 163
Citibank N.A.	3 584 681	6,7%	United States	5 654 456	10,5%	5
Nordnet Livsforsikring AS	3 350 695	6,2%	Luxembourg	5 236 324	9,7%	8
J.P. Morgan SE	1 714 379	3,2%	Ireland	4 823 457	9,0%	11
J.P. Morgan SE	1 661 926	3,1%	France	1 524 387	2,8%	7
Olesen	1 586 083	3,0%	United Kingdom	1 230 599	2,3%	9
Lin AS	1 502 275	2,8%	Sweden	626 001	1,2%	13
Olesen Consult HVAC AS	1 475 000	2,7%	Others	307 893	0,6%	31
Glomar AS	1 368 456	2,5%	Grand Total	53 747 977	100%	3 247
Lithinon AS	1 352 976	2,5%				
BNP Paribas	1 300 000	2,4%				
Jakob Hatteland Holding AS	1 222 222	2,3%				
OKS Consulting AS	1 180 000	2,2%				
Citibank N.A.	1 100 000	2,0%				
Ninas Holding AS	1 003 394	1,9%				
The Northern Trust Comp. London Br.	958 275	1,8%				
Clearstream Banking S.A.	944 852	1,8%				
Sortun Invest AS	931 596	1,7%				
Idland	800 000	1,5%				
Handskjeik AS	606 875	1,1%				
Others	20 760 820	38,6%				
Total	53 747 977	100 %				



6 Share Premium reclassification

During the first half of 2025, NOK 55,196,721 was reclassified from the share premium account to retained earnings to offset accumulated losses. This reclassification was approved by the Board of Directors and will be submitted for shareholder approval at the upcoming Annual General Meeting (AGM), in accordance with the Norwegian Companies Act (Aksjeloven). The reclassification did not impact the total equity of the company, as it was an internal adjustment within equity.

The purpose of this adjustment was to offset retained earnings losses with share premium and strengthen the company's equity position, ensuring compliance with Skattefunn and other relevant regulatory requirements





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Responsibility statement

Today, the Board of Directors and the Chief Executive Officer have reviewed and approved the Desert Control Group Condensed Consolidated Interim Financial Statements as of 30 June 2025.

To the best of our knowledge, these financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting (IFRS as adopted by the EU) and give a true and fair view of the Group's assets, liabilities, financial position, and results for the first half of 2025.

These interim financial statements are unaudited.

We further confirm that the second quarter of 2025 interim report provides a fair overview of significant events that occurred during the reporting period and their impact on the condensed financial statements, as well as the principal risks and uncertainties for the remainder of the financial year.

Sandnes, 14.08.2025

Lars R. Eismark
Executive Chairman

Marit Rød Ødegaard
Board Member

Maryne Lemvik
Board Member

Roar Husby
Board Member

James Thomas
Chief Executive Officer





Forward-looking statements

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

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

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

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



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