

# Q3 Report and financial results 2025





# CEO letter

Fellow shareholders

Let me begin by thanking all of you for your continued support of Desert Control through shareholding, participation in the rights issue, and promoting the company and Liquid Natural Clay to audiences far and wide. We are lucky to have a very passionate and supportive group of shareholders. With the rights issue behind us, we have the capital and energy to continue to drive LNC forward. Thank you.

It has been a busy quarter at Desert Control on almost all fronts. Progress was made in the field, in the laboratory, with customers, with partners, and within the organization. Some of that progress was very visible to outsiders, but much of it was internal to Desert Control as we refined our production and delivery processes, restructured our research group, and built the team in the US. We have more work to do and several important hires to conclude, but the organization is focused on our top priorities and moving forward with haste.

A significant internal effort in the third quarter was a very thorough testing of our internal production and delivery systems. After long days and nights of testing, we are convinced that recent issues were entirely related to the accidental and short-lived delivery of too high a concentration of LNC into customers' irrigation systems. In response, we have designed both modifications to our delivery equipment and our operating protocols to ensure consistent delivery and mixing of LNC from the production unit to the customer's sprinkler head.

The team is confident in their work and is ready to get back in the field.

Speaking of being back in the field, I am pleased to report that the team is currently conducting our first pilot applications on Almond trees in California. This is an enormous potential opportunity, with over 200 million almond trees in place. They won't all need LNC, but many are planted in very sandy soil, and water pressure is increasing in California. In addition to following moisture levels and nutrient-use efficiency, these trials will also be specifically focused on improving yields. Almonds are the first and largest of the major tree crops in California that we have targeted for near-term trials, and I expect that we will also do pilots in other nut varieties and citrus in coming quarters.

From an organizational standpoint, we have added headcount in sales and engineering and will continue to build the sales team for both turf and agricultural markets. Also, as announced, we will be moving LNC research to the US in coming quarters. While the reorganization is the right move at this time to ensure that we are very customer-focused in the United States, it was not a decision taken lightly, and we appreciate the Norwegian team's commitment and many insights over the years.

Our partners continue to make progress in their respective territories in the Middle East. Jan Vader our Chief Innovation Officer, and I were in the region earlier in the month and met extensively with both the Soyl and Saudi

Desert Control teams, as well as visiting existing application sites and prospective customers. Each partner is making commercial headway and signing interesting projects with real estate developers and other end users. As I have said before, I believe that the big breakthrough in these countries will come from a significant government award. Both groups are actively engaged with high-level decision-makers, and I think it is only a matter of time before they get a major contract. Slow and frustrating at times, but we will get there. Another highlight for me this quarter was speaking at the Climate Futures conference during UN Climate Week in New York, as a guest of our partner Siemens. It was great to be part of so much energy and so many new ideas, and to spend time with both Siemens and their other high-tech collaborators. It was wonderful to be part of a group working so hard on such an important problem.

So, an active quarter with solid forward progress on many fronts. We are a tighter and more focused organization, and I think that we are seeing the fruits of that focus in an improved understanding of our capabilities and markets. I look forward to reporting more progress across all domains in the coming months.

Sincerely,  
James Thomas  
Chief Executive Officer  
Desert Control





# Chair's corner

Dear shareholders,

With the colors of the trees outside the windows changing for a new season, so are the times for Desert Control. Q3'25 was an eventful and exciting period for the company, its employees, and shareholders, and I have a few topics that I would like to highlight.

The first topic is the Rights Issue that we successfully completed at the beginning of Q3 2025. Of all the opportunities that were pursued to strengthen our balance sheet, the rights issue was deemed the most fair and relevant for the shareholders and the company. It was important for the Board of Directors that all shareholders were given the chance to participate in a capital exercise, and we are satisfied with the process and the outcome. Thank you to those of you who took your share of the rights issue. Your support and continued belief in our technology, the organization, and our purpose are immensely appreciated.

Another action item that I have touched upon earlier is the efforts to develop our organization and to build our platform of strength in the US market. The closure of our R&D department in Norway and the expansion of the R&D department in the US mark an important milestone in our ambition to be near our customers, increase internal efficiency in developing our R&D pipeline,

be near our academic research partners, and support the Operations Team in their deployment efforts. We have been blessed with a wonderful crowd of good colleagues in Stavanger, and I wish them all the best for the future.

On the same note, we have initiated a number of hiring processes to rapidly expand our sales force in the US. We have to focus on monetizing our technology, and we have to have more people developing our selected market segments. Finding the right people for the selected geographical areas has proven not to be an easy walk in the park, but we are confident that, with the selection of capable search firms, we are on the right track.

Further, the search for new US-based board members with a strong track record in agriculture is also progressing positively. The current shortlist holds attractive candidates, and I hope to report a positive outcome during Q1 2026. A side note to the recruiting topic is that we have been made acutely aware of the compensation levels for board members in the US, particularly in the Southwestern states. If we want to attract people with attractive networks, relevant experience and ideally a foot into the agritech investor environments, we will need to be competitive.

I am very happy to see the focus of our go-to-market strategy in action, and the promising initiation of pilots in the almond and wine

segments is a testimony to the value and relevance of our technology. More about this and much more in the section of CEO James Thomas.

Lastly, I wish you all a wonderful autumn season.

Yours,

Lars Raunholt Eismark







# Financial review

| Key figures<br>NOK million, unaudited | Quarters      |               | Change<br>Q3 on Q3 | First nine months |               | Change       |
|---------------------------------------|---------------|---------------|--------------------|-------------------|---------------|--------------|
|                                       | Q3 2025       | Q3 2024       |                    | 2025              | 2024          |              |
| LNC Revenue                           | 0,0           | 0,1           |                    | 1,6               | 1,9           |              |
| Licensing Royalties                   | 0,1           | 0,1           |                    | 0,1               | 0,1           |              |
| Other Income                          | -             | -             |                    | -                 | -             |              |
| <b>Total revenue and other income</b> | <b>0,1</b>    | <b>0,2</b>    | <b>(67%)</b>       | <b>1,8</b>        | <b>2,0</b>    | <b>(9%)</b>  |
| Salary and employee benefit expenses  | 12,6          | 9,1           | 38%                | 27,6              | 26,4          | 5%           |
| Other operating expenses              | 6,4           | 4,9           | 32%                | 23,4              | 19,6          | 19%          |
| Depreciation and amortisation         | 0,7           | 1,4           | (49%)              | 2,7               | 3,8           | (28%)        |
| <b>Operating profit or loss</b>       | <b>(19,7)</b> | <b>(15,2)</b> | <b>(29%)</b>       | <b>(52,7)</b>     | <b>(48,1)</b> | <b>(9%)</b>  |
| <b>EBITDA</b>                         | <b>(19,0)</b> | <b>(14,0)</b> | <b>(3%)</b>        | <b>(49,9)</b>     | <b>(44,8)</b> | <b>(11%)</b> |
| <b>Profit / (Loss) for the Period</b> | <b>(20,7)</b> | <b>(15,2)</b> | <b>(36%)</b>       | <b>(62,0)</b>     | <b>(45,4)</b> | <b>(36%)</b> |
| <b>Cash and cash equivalents</b>      | <b>8,2</b>    | <b>74,8</b>   | <b>(89%)</b>       | <b>8,2</b>        | <b>74,8</b>   | <b>(89%)</b> |
| <b>Equity at 30 September</b>         | <b>88,1</b>   | <b>86,3</b>   | <b>2%</b>          | <b>88,1</b>       | <b>86,3</b>   | <b>2%</b>    |
| <b>Equity Ratio</b>                   | <b>84,3%</b>  | <b>95,4%</b>  | <b>(12%)</b>       | <b>84,3%</b>      | <b>95,4%</b>  | <b>(12%)</b> |



The third quarter of 2025 was marked by significant operational progress and continued financial strengthening across Desert Control. Further, the successful completion of the NOK 75 million rights issue—legally finalized before quarter-end—was reflected in the Q3 2025 financial statements. This strengthened Desert Control’s equity position and liquidity base, providing a healthier financial platform to support the Company’s operational ramp-up, production scaling, and near-term commercial expansion.

**Revenue** for the third quarter and the first nine months of 2025 remained modest compared to the same periods last year, reflecting the structure of the U.S. PAYS contract under which income is recognized only once measurable water savings have been verified by the customer. While substantial application work was completed during the period, related revenues had not yet been recognized as of 3Q 2025. The Company expects revenue realization to begin in the fourth quarter as customer validation milestones are achieved, and invoicing commences under the PAYS framework.

**Total Operating expenses** increased during the quarter and first nine months, resulting in a decline in EBITDA compared with the same periods last year. The increase primarily reflects noncash currency related effects, but also higher field activity in the US, production scaling to support upcoming commercial deliveries, and continued investment in organizational capacity to enable future growth.

For the first nine months’ salary and employee benefit expenses increased by NOK 1.2 million, while other operating expenses rose by NOK 3.8 million compared with 2024. Depreciation and amortisation decreased by NOK 1.1 million, reflecting lower level of asset in use.

**The net loss** for the third quarter and first nine months of 2025 increased compared to the same periods last year. While part of the increase reflects the ongoing ramp-up of operations and strengthening of organizational capacity in US, the majority is attributable to one-off NOK 2.5 million restructuring costs, with limited remaining effects expected in the fourth quarter 2025. In addition, the negative impact of an unrealised foreign exchange effect of approximately NOK 9.5 million mainly from the strengthening of NOK against

USD, representing a non-cash translation impact on USD-denominated balances, together with a further realised foreign exchange loss of approximately NOK 2.5 million was recognised during the first nine months.

**Total equity** improved slightly compared to the same quarter last year, supported by the completion of the capital raise. The rights issue was fully subscribed and legally completed before quarter-end, with cash received in October 2025. The transaction was recognized within equity, with proceeds presented under “Other paid-in capital pending registration.” Transaction costs and the share-based underwriting fee associated with the issue were charged directly against equity. The technical reclassification from share premium to retained earnings was completed in the first quarter of 2025 and therefore impacts the year-to-date figures but not the quarterly movement in equity.

**Cash and cash equivalents** decreased during the third quarter, reflecting continued investments in product development, commercial deployment, and organizational growth. As of 30 September 2025, the Company’s cash position was lower than in the same period last year, consistent with the planned ramp-up of operations. The proceeds from the NOK 75 million rights issue were not included in the quarter-end cash balance, as the funds were received in early October. These proceeds have subsequently strengthened liquidity and are expected to fund operations well into 2026, supporting the Company’s ongoing scale-up and commercialization agenda.

During Q3 2025, the Group received a NOK 2.3 million SkatteFUNN grant cash settlement related to approved R&D activities, compared to NOK 1.5 million received in the same period of 2024.





# Company update

## US

In response to application issues seen in the second quarter, the U.S. operations team made significant progress in the refinement of field procedures and ancillary equipment configurations to improve LNC application efficiency. These modifications are being incorporated into current equipment and next-generation configurations as well. We are optimistic that these changes will speed up equipment mobilization and help reduce labor requirements, our largest cost center.

Also, years of client and government engagement are beginning to bear commercial fruit. The result is a powerful combination of market-pull and government-push that we expect to further increase utilization of LNC and the consultative services of Desert Control.

### Woodland Hills Country Club sees water savings and anticipates significant incentives

In Q3, our first Pay As You Save (PAYS) program client, Woodland Hills Country Club (WHCC), realized significant savings in irrigation water costs and the WHCC superintendent is impressed with the quality of the golf course with so much less

water. The combined water expense savings and incentives for WHCC for Q3 2025 may exceed \$100k USD (pending incentive approvals).

If WHCC's water saving and incentives payments evolve as expected, we would expect to see significant further demand from the Los Angeles area in golf, courses and other properties with heavy irrigation needs. More than 35 golf courses managing up to 1000 acres total are in the Los Angeles Department of Water and Power service area.

### Berkeley Country Club and Wood Ranch Golf Club

We continue to see solid results from our pilot installations at both Berkeley Country Club and Wood Ranch Golf Club and expect to finalize Agreements for full applications in coming quarters. We will place high priority to focus our commercial activities on the Los Angeles market in 2025-2026.

## Agriculture

During the quarter, we began our largest-ever field research trial for yield improvement in a commercial crop. This trial is being conducted in





# Company update

collaboration with the University of Arizona and Oasis Date, North America's largest grower of Medjool dates, and its size creates the potential for exceptionally high statistical power. We expect to receive interim data on soil health and moisture levels in coming months and yield data in the fall of 2026 -2027.

Looking forward, a new Arizona grant program will be awarded to qualifying growers by the end of Q4 2025. Multiple existing clients are applying for grant funds with LNC and the services of Desert Control as their planned investment in soil health and water efficiency. There is potential for \$150k->\$1M H1 2026 revenue opportunity, if the grants are awarded to our client applicants.

## Middle East licensed partners

Desert Control's partners in the Middle East continued to demonstrate operational and scientific progress through the third quarter, focusing on strengthening governmental partnerships, and research validation of Liquid Natural Clay (LNC) across both the United Arab Emirates and the Kingdom of Saudi Arabia. The quarter was marked by a major new project award and continued data-driven validation of soil and water performance, and tangible alignment with national sustainability programs.

In Saudi Arabia, Saudi Desert Control (SDC) strengthened its role as a key technology and research leader supporting the Vision 2030 environmental framework. During the quarter, SDC initiated a research partnership with Princess Nourah University to study the performance of LNC in high-clay soils, a crucial step in broadening the agronomic applicability. Ongoing field trials produced new quantitative data confirming more than 2x greater water retention for LNC treated areas at a leading turf farm, and another pilot site showed more than 3x increase over time for nutrient-holding capacity (Cation Exchange Capacity) in LNC-treated plots compared with controls. Positive progress also continued at the Misk City pilot, where treated plants maintained their vigor even with considerable water savings through the challenging summer months.

In the United Arab Emirates, Soyl secured a major commercial award for the large-scale implementation of over 4 million liters of LNC at the new Al Reem Hills residential development by Modon Properties in Abu Dhabi. The application phase will be carried out progressively over the coming quarters in line with landscaping completion. The award underscores Soyl's capacity to deliver high-volume, high-impact applications of LNC across modern urban infrastructure projects. Soyl also concluded a one-year demonstration







# Company update

project in the Baynounah desert region of Abu Dhabi, where LNC treated trees showed noteworthy improvements in survivability and growth in arid conditions, including plots without regular irrigation. Furthermore, in Q3, Soyl completed the LNC treatment of Masdar City’s new Connect Park, marking the first commercial LNC application for a public park. Masdar City’s 2024 ESG Report recognized LNC as a flagship example of sustainable landscaping and water-efficiency innovation, highlighting Soyl’s position as a preferred partner for climate-resilient urban greening.

## Innovation and technology developments

During the third quarter of 2025, Desert Control made steady progress in advancing its research, technology, and production development agenda. Desert Control’s R&D teams advanced laboratory experiments and field trials investigating microbial combined impact with LNC, 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. LNC not only enhanced plant performance under stress but also created a balanced environment that supports beneficial microbes and native soil life, addressing a long-standing challenge in microbial soil treatments. The quarter also saw the initiation of collaborative research activities with the University of Stavanger (UiS) under the FORREGION Rogaland program. The project uses advanced analytical tools for in-depth studies and fine-tuning of LNC application across different soil environments.

Within the production systems domain, Desert Control continued progress toward scaling its production capabilities. Although the company remains behind its original internal schedule for completing the next generation production unit, the third quarter delivered significant technical progress through detailed engineering in parallel with comprehensive technical clarifications with the preferred manufacturing partner in Arizona. The production systems team also advanced the selection and integration of supporting equipment and key system accessories to optimize the overall production setup. From an organizational perspective, the company implemented a strategic reorganization of its R&D

operations to enhance responsiveness through better proximity to key markets and relevant field environments. As announced in October 2025, Desert Control will wind down its R&D activities in Norway while consolidating laboratory research functions in the United States. The production systems engineering and digital process optimization teams will continue to operate from Norway, maintaining technical leadership and oversight of core production systems and data analytics. Together, these developments reaffirm Desert Control’s commitment to maintaining innovation and technology at the center of its mission, through academic collaborations, applied R&D programs, and streamlined production capacity.



# Inflection point broadens commercial expansion

## Inflection point

Recent technological breakthroughs drive the transition from pilots to accelerating commercialization

## High-growth potential

10x revenue expansion targeted from '25 to '27 with scalable profitability

## Strong market drivers

Water costs, resource scarcity and regulatory shifts accelerate demand

## Balanced capital strategy

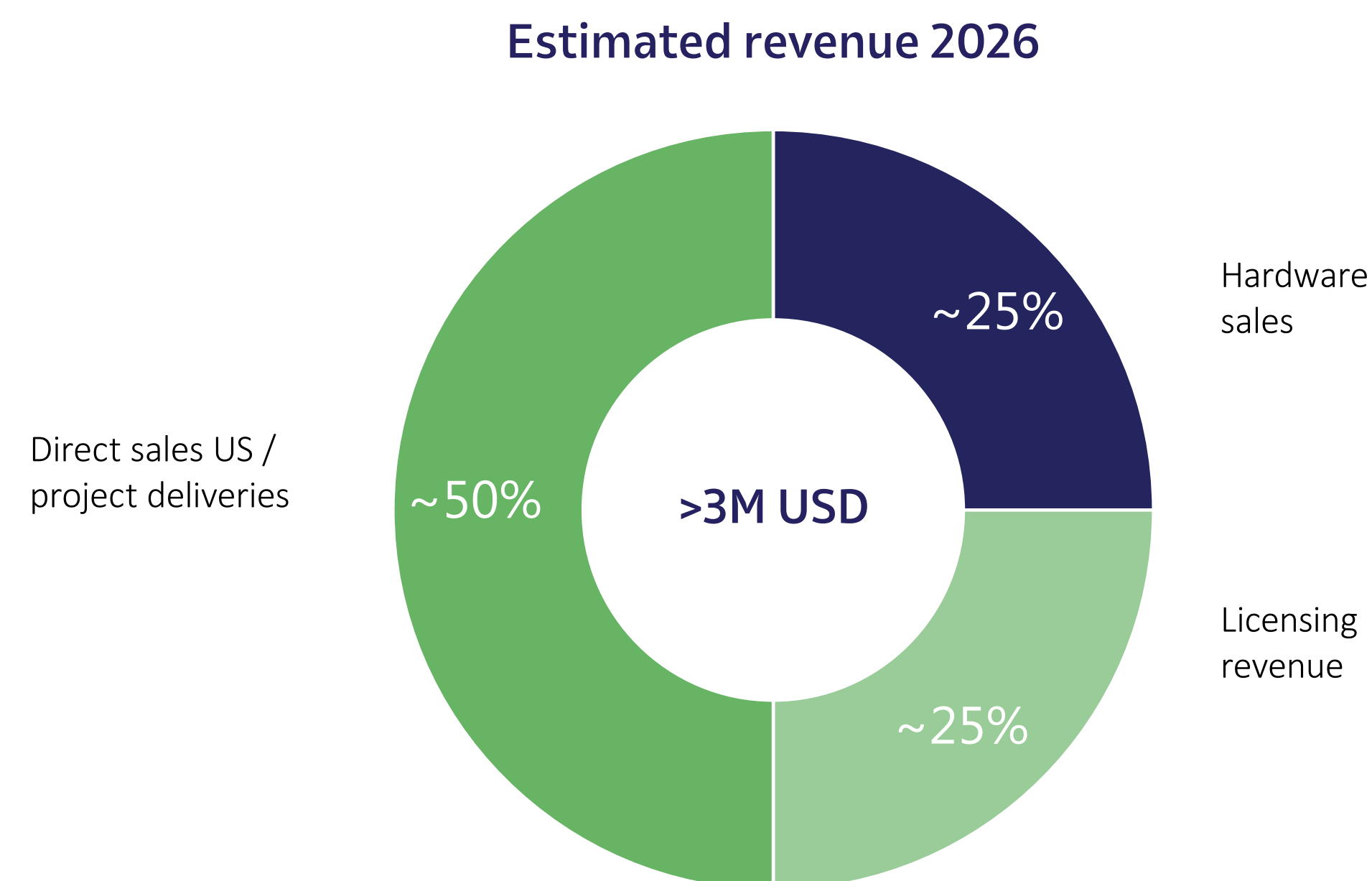
High-capacity production units allow for efficient capital allocation

## Scalable expansion

Additional Locations and Licensors in United States, Middle East, and Europe



# 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





# Condensed interim financial statements and notes

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# Consolidated statement of comprehensive income

| (Amounts in NOK thousand, unaudited)                               | Note | Quarters        |                 | First nine months |                 |
|--------------------------------------------------------------------|------|-----------------|-----------------|-------------------|-----------------|
|                                                                    |      | Q3 2025         | Q3 2024         | 2025              | 2024            |
| Revenue from sales                                                 | 2    | 60              | 182             | 1 779             | 1 952           |
| Other income                                                       |      | -               | -               | -                 | -               |
| <b>Total revenue and other income</b>                              |      | <b>60</b>       | <b>182</b>      | <b>1 779</b>      | <b>1 952</b>    |
| Cost of goods sold (COGS)                                          |      | 0               | 13              | 686               | 256             |
| <b>Gross profit</b>                                                |      | <b>59</b>       | <b>169</b>      | <b>1 093</b>      | <b>1 696</b>    |
| Salary and employee benefit expenses                               |      | 12 624          | 9 126           | 27 587            | 26 356          |
| Other operating expenses                                           |      | 6 442           | 4 892           | 23 448            | 19 636          |
| Depreciation and amortisation                                      |      | 706             | 1 397           | 2 747             | 3 822           |
| <b>Operating profit or loss</b>                                    |      | <b>(19 713)</b> | <b>(15 247)</b> | <b>(52 688)</b>   | <b>(48 117)</b> |
| Finance income                                                     |      | (202)           | (2 339)         | 437               | 7 787           |
| Finance costs                                                      |      | 790             | (2 055)         | 9 734             | 5 026           |
| <b>Profit or loss before tax from continuing operations</b>        |      | <b>(20 706)</b> | <b>(15 531)</b> | <b>(61 985)</b>   | <b>(45 356)</b> |
| Income tax expense                                                 |      | (3)             | (0)             | 20                | 59              |
| <b>Profit or loss for the year from continuing operations</b>      |      | <b>(20 703)</b> | <b>(15 531)</b> | <b>(62 005)</b>   | <b>(45 415)</b> |
| <b>Discontinued operations</b>                                     |      |                 |                 |                   |                 |
| Profit or loss after tax for the year from discontinued operations |      | -               | (315)           | -                 | (654)           |
| <b>Profit or the loss for the year</b>                             |      | <b>(20 703)</b> | <b>(15 846)</b> | <b>(62 005)</b>   | <b>(46 069)</b> |

| (Amounts in NOK thousand, unaudited)                            | Quarters        |                 | First nine months |                 |
|-----------------------------------------------------------------|-----------------|-----------------|-------------------|-----------------|
|                                                                 | Q3 2025         | Q3 2024         | 2025              | 2024            |
| <b>Allocation of profit or loss:</b>                            |                 |                 |                   |                 |
| Profit/loss attributable to the parent                          | (20 703)        | (15 846)        | (62 005)          | (46 069)        |
| <b>Other comprehensive income:</b>                              |                 |                 |                   |                 |
| Items that subsequently may be reclassified to profit or loss:  |                 |                 |                   |                 |
| Exchange differences on translation of foreign operations       | 1 491           | (3 255)         | 9 449             | (3 526)         |
| Total items that may be reclassified to profit or loss          | 1 491           | (3 255)         | 9 449             | (3 526)         |
| <b>Total other comprehensive income for the year</b>            | <b>1 491</b>    | <b>(3 255)</b>  | <b>9 449</b>      | <b>(3 526)</b>  |
| <b>Total comprehensive income for the year</b>                  | <b>(19 212)</b> | <b>(18 463)</b> | <b>(52 556)</b>   | <b>(48 957)</b> |
| <b>Allocation of total comprehensive income</b>                 |                 |                 |                   | <b>0</b>        |
| Total comprehensive income attributable to owners of the parent | (19 212)        | (18 463)        | (52 556)          | (48 957)        |



# Consolidated statement of financial position

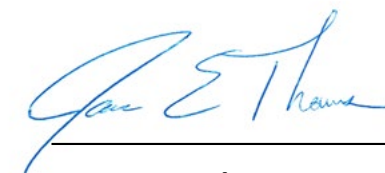
|                                 |      | At 30 September |               | At 31 December |                                            |      | At 30 September |               | At 31 December |
|---------------------------------|------|-----------------|---------------|----------------|--------------------------------------------|------|-----------------|---------------|----------------|
|                                 |      | 2025            | 2024          | 2024           |                                            |      | 2025            | 2024          | 2024           |
| (Amounts in NOK thousand)       | Note | (unaudited)     | (unaudited)   | (audited)      | (Amounts in NOK thousand)                  | Note | (unaudited)     | (unaudited)   | (audited)      |
| <b>ASSETS</b>                   |      |                 |               |                |                                            |      |                 |               |                |
| <b>Non-current assets</b>       |      |                 |               |                |                                            |      |                 |               |                |
| Property, plant and equipment   |      | 13 775          | 7 548         | 11 292         | <b>EQUITY AND LIABILITIES</b>              |      |                 |               |                |
| Right-of-use assets             |      | -               | 80            | -              | <b>Equity</b>                              |      |                 |               |                |
| <b>Total non-current assets</b> |      | <b>13 775</b>   | <b>7 627</b>  | <b>11 292</b>  | Share capital                              | 5    | 161             | 161           | 161            |
|                                 |      |                 |               |                | Share premium                              | 6    | 83 095          | 133 182       | 135 118        |
|                                 |      |                 |               |                | Other paid-in capital pending registration | 6    | 63 023          | -             | -              |
|                                 |      |                 |               |                | Currency translation differences           |      | 3 785           | (1 565)       | (5 664)        |
|                                 |      |                 |               |                | Retained earnings                          |      | (62 005)        | (45 460)      | (54 845)       |
|                                 |      |                 |               |                | <b>Total equity</b>                        |      | <b>88 059</b>   | <b>86 318</b> | <b>74 769</b>  |
|                                 |      |                 |               |                | <b>Current liabilities</b>                 |      |                 |               |                |
| <b>Current assets</b>           |      |                 |               |                | Current lease liabilities                  |      | -               | 84            | -              |
| Inventory                       |      | 323             | 162           | 152            | Trade and other payables                   |      | 2 625           | 2 498         | 3 448          |
| Trade receivables               |      | 475             | 264           | 376            | Public duties payable                      |      | 229             | 513           | 1 383          |
| Other receivables               | 3    | 81 646          | 7 571         | 6 031          | Other current liabilities <sup>1</sup>     |      | 13 537          | 1 047         | 1 826          |
| Other current financial assets  |      | -               | 3             | 3              | <b>Total current liabilities</b>           |      | <b>16 391</b>   | <b>4 141</b>  | <b>6 657</b>   |
| Cash and cash equivalents       | 4    | 8 231           | 74 833        | 63 572         |                                            |      |                 |               |                |
| <b>Total current assets</b>     |      | <b>90 675</b>   | <b>82 832</b> | <b>70 133</b>  | <b>Total liabilities</b>                   |      | <b>16 391</b>   | <b>4 141</b>  | <b>6 657</b>   |
|                                 |      |                 |               |                | <b>TOTAL EQUITY AND LIABILITIES</b>        |      | <b>104 450</b>  | <b>90 459</b> | <b>81 426</b>  |
| <b>TOTAL ASSETS</b>             |      | <b>104 450</b>  | <b>90 459</b> | <b>81 426</b>  |                                            |      |                 |               |                |

<sup>1</sup> Other liabilities increased by NOK 11.97 million in Q3 2025, representing transaction costs related to the rights issue. Of this, NOK 8.07 million was settled through share-based underwriting fees (non-cash) and NOK 3.9 million comprised cash-based capital-raising costs accrued at quarter-end to be paid in Q4 2025.

Sandnes, 05.11.2025

  
Lars R. Eismark  
Executive Chairman

  
Marit Røed Ødegaard  
Board Member

  
James Thomas  
Chief Executive Officer

  
Maryne Lemvik  
Board Member





# Consolidated statement of cash flows

| (Amounts in NOK thousand, unaudited)                                       | Quarters        |                 | First nine months |                 | (Amounts in NOK thousand, unaudited)                               | Quarters        |                 | First nine months |                 |
|----------------------------------------------------------------------------|-----------------|-----------------|-------------------|-----------------|--------------------------------------------------------------------|-----------------|-----------------|-------------------|-----------------|
|                                                                            | Q3 2025         | Q3 2024         | 2025              | 2024            |                                                                    | Q3 2025         | Q3 2024         | 2025              | 2024            |
| <b>Profit or loss before tax from continuing operations</b>                | <b>(20 706)</b> | <b>(15 538)</b> | <b>(61 985)</b>   | <b>(45 356)</b> | <b>Cash flows provided by (used in) investing activities (NOK)</b> |                 |                 |                   |                 |
| <b>Profit or loss before tax for discontinued operations</b>               | <b>-</b>        | <b>(315)</b>    | <b>-</b>          | <b>(654)</b>    | Capital expenditures and investments                               | (2 953)         | (639)           | (5 967)           | (2 962)         |
| Adjustments to reconcile profit before tax to net cash flows:              |                 |                 |                   |                 | Sale (Purchase) of financial instruments                           | -               | (0)             | -                 | 19 613          |
| Depreciation and amortisation                                              | 1 912           | 1 397           | 2 747             | 3 822           | Proceeds from sale of property, plant and equipment                | -               | -               | -                 | -               |
| Net financial income/expense                                               | (110)           | 737             | (464)             | (2 311)         | Interest received                                                  | 110             | 1 627           | 725               | 1 627           |
| Foreign exchange gains or losses                                           | 3 203           | 27              | 8 509             | 27              | <b>Net cash flow provided by (used in) investing activities</b>    | <b>(2 843)</b>  | <b>988</b>      | <b>(5 242)</b>    | <b>18 278</b>   |
| Share-based payment expense                                                | 533             | 1 409           | 3 174             | 4 195           |                                                                    |                 |                 |                   |                 |
| Adjustments for other non-cash items                                       | 7 368           |                 | 8 638             | -               | <b>Cash flow provided by (used in) financing activities (NOK)</b>  |                 |                 |                   |                 |
| Working capital adjustments:                                               |                 |                 |                   |                 | Proceeds from issuance of equity                                   | -               | -               | -                 | -               |
| Changes in accounts receivable and other receivables                       | 4 461           | (1 571)         | (883)             | (2 590)         | Transaction costs on issue of shares                               | -               | -               | -                 | -               |
| Changes in trade payables, duties and social security payables             | 1 564           | (1 895)         | 1 977             | 226             | Lease payments                                                     | -               | (127)           | -                 | (384)           |
| Changes in other current liabilities and contract liabilities <sup>1</sup> | (12 053)        | (94)            | (11 712)          | (532)           | Interest paid                                                      | (0)             | -               | (19)              | -               |
| <b>Net cash flows from operating activities</b>                            | <b>(13 828)</b> | <b>(15 844)</b> | <b>(49 999)</b>   | <b>(43 173)</b> | <b>Net cash flows provided by (used in) financing activities</b>   | <b>(0)</b>      | <b>(127)</b>    | <b>(19)</b>       | <b>(384)</b>    |
|                                                                            |                 |                 |                   |                 |                                                                    |                 |                 |                   |                 |
|                                                                            |                 |                 |                   |                 | <b>Net increase/(decrease) in cash and cash equivalents</b>        | <b>(16 671)</b> | <b>(14 983)</b> | <b>(55 260)</b>   | <b>(25 279)</b> |
|                                                                            |                 |                 |                   |                 | Cash and cash equivalents at beginning of the year/period          | 24 841          | 90 887          | 63 575            | 100 008         |
|                                                                            |                 |                 |                   |                 | Net foreign exchange difference                                    | 62              | (1 072)         | (83)              | 104             |
|                                                                            |                 |                 |                   |                 | <b>Cash and cash equivalents, end of period</b>                    | <b>8 231</b>    | <b>74 833</b>   | <b>8 231</b>      | <b>74 833</b>   |

<sup>1</sup> Total rights issue transaction costs of NOK 11.97 million were recognized in Q3 2025. NOK 8.07 million represented non-cash share-based underwriting fees, while the remaining NOK 3.9 million related to cash costs accrued but unpaid as of quarter-end and therefore not reflected in Q3 cash flows.





# Consolidated statement of changes in equity

| (Amounts in NOK thousand)                                | Share capital | Share premium  | Other paid-in<br>capital pending<br>registration | Cumulative<br>translation<br>differences | Retained<br>earnings | Total equity   |
|----------------------------------------------------------|---------------|----------------|--------------------------------------------------|------------------------------------------|----------------------|----------------|
| <b>At 1 January 2024, audited</b>                        | <b>161</b>    | <b>321 180</b> | <b>-</b>                                         | <b>(80)</b>                              | <b>(192 194)</b>     | <b>129 067</b> |
| Profit (loss) for the period                             | -             |                |                                                  |                                          | (45 460)             | (45 460)       |
| Currency translation differences in OCI                  |               |                |                                                  | (1 485)                                  |                      | (1 485)        |
| Issue of share capital                                   | 0             |                |                                                  |                                          |                      | 0              |
| Share based program options                              |               | 4 195          |                                                  |                                          |                      | 4 195          |
| Share premium reclassification                           |               | (192 194)      |                                                  |                                          | 192 194              | -              |
| <b>At 30 September 2024, unaudited</b>                   | <b>161</b>    | <b>133 182</b> | <b>-</b>                                         | <b>(1 565)</b>                           | <b>(45 460)</b>      | <b>86 318</b>  |
| <b>At 1 January 2025, audited</b>                        | <b>161</b>    | <b>135 118</b> | <b>-</b>                                         | <b>(5 664)</b>                           | <b>(54 845)</b>      | <b>74 770</b>  |
| Profit (loss) for the period                             |               |                |                                                  |                                          | (62 356)             | (62 356)       |
| Currency translation differences in OCI                  |               |                |                                                  | 9 449                                    |                      | 9 449          |
| Issue of share capital pending registration <sup>1</sup> | 0             |                | 75 000                                           |                                          |                      | 75 000         |
| Issue costs / share-based underwriting <sup>1</sup>      |               |                | (11 977)                                         |                                          |                      | (11 977)       |
| Share based program options                              |               | 3 174          |                                                  |                                          |                      | 3 174          |
| Share premium reclassification <sup>2</sup>              |               | (55 197)       |                                                  |                                          | 55 197               | -              |
| <b>At 30 September 2025, unaudited</b>                   | <b>161</b>    | <b>83 095</b>  | <b>63 023</b>                                    | <b>3 785</b>                             | <b>(62 005)</b>      | <b>88 059</b>  |

<sup>1</sup> This includes NOK 3.9 million in cash-based transaction costs and NOK 8.07 million in share-based underwriting fees settled through the issuance of 6,535,995 shares at NOK 1.2347 per share.

<sup>2</sup> Reclassification from share premium to retained earnings to offset accumulated losses. Approved by the Board of Directors and to be confirmed at the Annual General Meeting (AGM) in accordance with the Norwegian Companies Act (Aksjeloven). The adjustments had no impact on total equity.



# 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 nine months period ended 30 September 2025 were authorised for issue by a Board meeting held on 05 November 2025.

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

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented 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 condensed consolidated financial statements of the Group include 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”), and comply with IAS 34 Interim Financial Reporting.

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.

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.

### Enhanced Disclosure of material accounting policies

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

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





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 Q3 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, unaudted) | Quarters |         | First nine months |      |
|-----------------------------------------------------------|----------|---------|-------------------|------|
|                                                           | Q3 2025  | Q3 2024 | 2025              | 2024 |
| Liquid NaturalClay (LNC) continued operations             | -        | 109     | 1633              | 1879 |
| Licensing Royalties                                       | 60       | 73      | 146               | 73   |
| Total Revenue and other income                            | 60       | 182     | 1779              | 1952 |

| By geographic market: (Amounts in NOK thousand, unaudted) | Quarters |         | First nine months |      |
|-----------------------------------------------------------|----------|---------|-------------------|------|
|                                                           | Q3 2025  | Q3 2024 | 2025              | 2024 |
| USA                                                       | -        | 109     | 1633              | 1879 |
| Norway                                                    | 60       | 73      | 146               | 73   |
| Total Revenue and other income                            | 60       | 182     | 1779              | 1952 |







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, and other current claims.

Capitalized contract costs relate to direct fulfillment expenditures incurred under performance-based customer contracts, where costs are deferred until the associated service performance results in recognized revenue.

These primarily include materials and labor directly attributable to Desert Control’s “Pay-As-You-Save” (PAYS) service model. Under the PAYS model, Desert Control installs and maintains its Liquid Natural Clay (LNC) technology to improve customers’ soil water retention. Customers are not charged upfront; instead, payments are linked to verified water savings achieved over time. Revenue is earned only when measurable savings are realized and invoiced. Direct fulfillment costs incurred before savings are achieved are capitalized and subsequently amortized over the expected period of customer benefit.

| Other receivables <sup>1</sup>            | At 30 September |              | At 31 December |
|-------------------------------------------|-----------------|--------------|----------------|
|                                           | 2025            | 2024         | 2024           |
|                                           | (unaudited)     | (unaudited)  | (audited)      |
| Government grant receivables <sup>2</sup> | 2 457           | 2 250        | 3 121          |
| Contract assets <sup>3</sup>              | 1 324           | -            | -              |
| VAT receivable                            | -               | 759          | 1 300          |
| Prepayments                               | 1 834           | 648          | 1 273          |
| Other receivables <sup>4</sup>            | 76 030          | 2 474        | 337            |
| <b>Total other receivables</b>            | <b>81 646</b>   | <b>6 131</b> | <b>6 031</b>   |

<sup>1</sup> The credit loss allowance is insignificant.

<sup>2</sup> During Q3 2025, the Group received a tax-related grant settlement of NOK 2,3m. The payment relates to approved R&D grant support under the Norwegian SkatteFUNN scheme. The grant has been recognised as other income in the period, and the corresponding cash inflow has been reflected in the statement of cash flows under operating activities.

<sup>3</sup> Contract assets represent capitalized costs related to the implementation of PAYS projects, primarily at Woodland Hills Country Club, consisting of materials, labor, and services incurred before measurable water savings are verified by the customer.

<sup>4</sup> Includes NOK 75 million in gross proceeds from the September 2025 rights issue that had been approved and legally binding as of 30 September 2025 but for which the cash was received in early October 2025. As the share-capital increase had not yet been formally registered with the Norwegian Register of Business Enterprises at the reporting date, the related amount is presented as a receivable from shareholders within current assets and as “Other paid-in capital pending registration” within equity.





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 September |             | At 31 December |
|------------------------------------------|-----------------|-------------|----------------|
| Cash and cash equivalents <sup>1</sup>   | 2025            | 2024        | 2024           |
|                                          | (unaudited)     | (unaudited) | (audited)      |
| Bank deposits, unrestricted <sup>2</sup> | 7 925           | 74 371      | 62 821         |
| Bank deposits, restricted                | 306             | 461         | 753            |
| Total cash and cash equivalents          | 8 231           | 74 833      | 63 574         |

<sup>1</sup> As described in Note 6 – Equity issuance and subsequent event, proceeds from the September 2025 rights issue of NOK 75 million were received in early October 2025 and are therefore not included in cash and cash equivalents as of 30 September 2025.

<sup>2</sup> 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 September 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.

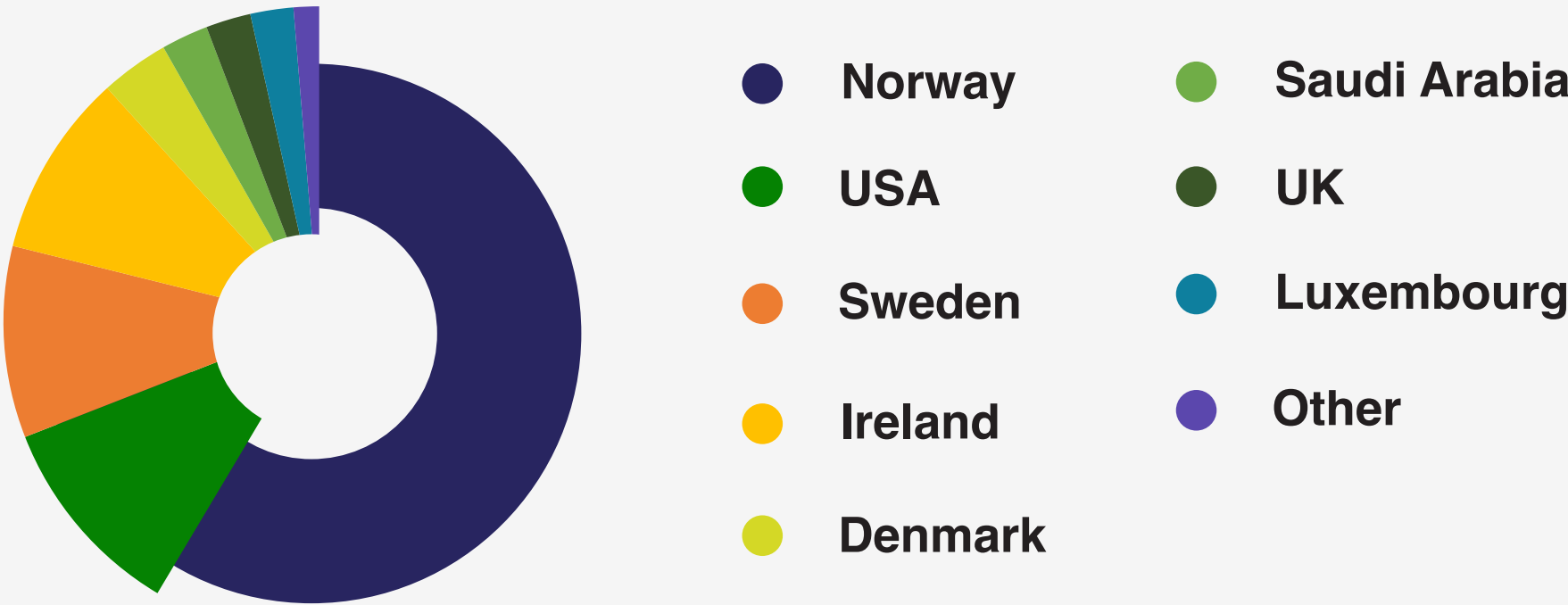




The Group’s shareholders:

| Shareholders in Desert Control AS at 30.09.2025 | Total shares      | Ownership/<br>Voting rights |
|-------------------------------------------------|-------------------|-----------------------------|
| Woods End Interests LLC                         | 5 343 472         | 9,9%                        |
| Citibank, N.A.                                  | 5 037 386         | 9,4%                        |
| J.P. Morgan SE                                  | 4 042 372         | 7,5%                        |
| Nordnet Livsforsikring AS                       | 2 346 921         | 4,4%                        |
| Olesen                                          | 1 586 083         | 3,0%                        |
| BNP Paribas                                     | 1 577 799         | 2,9%                        |
| Lin AS                                          | 1 502 275         | 2,8%                        |
| Olesen Consult HVAC AS                          | 1 475 000         | 2,7%                        |
| Glomar AS                                       | 1 368 456         | 2,6%                        |
| Lithinon AS                                     | 1 352 976         | 2,5%                        |
| Jakob Hatteland Holding AS                      | 1 222 222         | 2,3%                        |
| Clearstream Banking S.A.                        | 1 205 543         | 2,2%                        |
| OKS Consulting AS                               | 1 180 000         | 2,2%                        |
| Idland                                          | 1 010 642         | 1,9%                        |
| Ninas Holding AS                                | 1 003 394         | 1,9%                        |
| The Northern Trust Comp, London Br              | 958 275           | 1,8%                        |
| Nordnet Bank AB                                 | 771 256           | 1,4%                        |
| Sortun Invest AS                                | 722 768           | 1,3%                        |
| Handskjeik AS                                   | 670 050           | 1,3%                        |
| Sundvolden Holding AS                           | 419 431           | 0,8%                        |
| ASO Risk Management AS                          | 398 081           | 0,7%                        |
| Others                                          | 18 553 575        | 34,5%                       |
| <b>Total</b>                                    | <b>53 747 977</b> | <b>100 %</b>                |

| Country of origin  | No of shares      | %           | No of shareholders |
|--------------------|-------------------|-------------|--------------------|
| Norway             | 31 438 277        | 58,5%       | 3 027              |
| United States      | 5 645 666         | 10,5%       | 3                  |
| Sweden             | 5 284 006         | 9,8%        | 35                 |
| Ireland            | 5 037 836         | 9,4%        | 11                 |
| Denmark            | 1 859 358         | 3,5%        | 20                 |
| Saudi Arabia       | 1 300 000         | 2,4%        | 1                  |
| United Kingdom     | 1 225 545         | 2,3%        | 13                 |
| Luxembourg         | 1 205 543         | 2,2%        | 1                  |
| Others             | 751 746           | 1,3%        | 56                 |
| <b>Grand Total</b> | <b>53 747 977</b> | <b>100%</b> | <b>3 167</b>       |





## 6 Equity issuance and subsequent event

In September 2025, the Company completed a fully subscribed rights issue of new shares, which was legally binding and approved prior to 30 September 2025. All documentation and regulatory approvals were finalized before quarter-end, while the cash proceeds were received in early October 2025. As the share-capital increase had not yet been formally registered with the Norwegian Register of Business Enterprises as of 30 September 2025, the proceeds have been presented as Other paid-in capital pending registration within equity.

The transaction has been recognized in the financial statements as of 30 September 2025, with a receivable from shareholders presented under current assets. Total gross proceeds amounted to NOK 75 million. Direct transaction costs of NOK 3.9 million, primarily related to fees payable to Arctic Securities AS and other advisers, have been accounted for as a deduction from equity.

On 3 October 2025, the Company registered the share-capital increase with the Norwegian Register of Business Enterprises. Following registration, the Company's share capital increased to NOK 363,082.416, divided into 121,027,427 shares, each with a nominal value of NOK 0.003. The rights issue comprised 60,743,500 new shares at a subscription price of NOK 1.2347 per share, raising gross proceeds of approximately NOK 75 million. The subscription period closed on 24 September 2025, and the offering was oversubscribed by approximately 41 percent. Final allocation was announced on 25 September 2025, and payment for the new shares was completed on 30 September 2025. Arctic Securities AS acted as manager and bookrunner for the transaction.

In connection with the underwriting arrangements, the Board of Directors resolved on 30 September 2025 to issue 6,535,995 new shares at the same subscription price to settle the underwriting fee in shares. As the issuance was completed after the reporting date, this constitutes a non-adjusting subsequent event. The related effects will be reflected in the Company's financial statements for the year ending 31 December 2025.





# Additional information

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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 September 2025. To the best of our knowledge, these financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting (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 nine months of 2025.

These interim financial statements are unaudited. We further confirm that the third quarter of 2025 interim report presents a fair overview of significant events during the reporting period and their impact on the condensed financial statements, together with the description of the principal risks and uncertainties for the remainder of the financial year.

Sandnes, 05.11.2025

**Lars R. Eismark**  
Executive Chairman

**Marit Røed Ødegaard**  
Board Member

**James Thomas**  
Chief Executive Officer

**Maryne Lemvik**  
Board Member





# 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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