annual report 2021

DESERT CONTROL

Contents

Vision and mission

Why

Making earth green again to foster the prosperity of life

- We aim to reclaim 100 million hectares of degraded land and desert by 2030
- We strive to create sustainable social impact, immense water savings, global food security, and regeneration of ecosystems to sequester carbon and balance our climate
- We aim to establish a social impact initiative throughout the Sub Shahara region by 2025 to reduce poverty and hunger

WATER, FOOD, AND A STABLE CLIMATE IS THE PATHWAY TO PEACE AND PROSPERITY FOR PEOPLE AND PLANET.

How

We combat desertification, land degradation, and water scarcity by;

- Restoring and protecting vital topsoil;
- Reclaiming degraded land – turning sand into soil;
- Regenerating soil biodiversity and natural ecosystems;
- Reducing the consumption of water, fertilizers, and natural resources; for agriculture, forests, and green landscapes

DESERTIFICATION, LOSS OF FERTILE SOIL, AND GROWING WATER SCARCITY THREATEN ALL LIFE ON EARTH, FURTHER ACCELERATED BY CLIMATE CHANGE AND OVEREXPLOITATION OF NATURAL RESOURCES.

What

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Our 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.

LNC enables sand and degraded soil to retain water and nutrients, thus increasing crop yields and ecosystem resilience while preserving water resources by up to 50%.

FROM SAND TO SOIL IN 7 HOURS.

CEO message

It's been two years since the pandemic brought the world to a standstill, and it continues to impact our lives and businesses. It became a crisis of an unimaginable magnitude. At the same time, it's made us realize that we have shifted from being a small world on a giant planet to being a big world on a small and utterly interconnected planet. As we emerge from the crisis, it's with a renewed sense of purpose that inspires action to safeguard the future of this small planet we all depend on. The sense of urgency is increasing rapidly but still needs to translate into action and tangible results.

Therefore, we remain ambitiously dedicated to executing our strategy driven by the vision of making earth green again to foster the prosperity of life. Although the world came to a standstill, it certainly didn't slow down at Desert Control. In 2021 the company grew from 6 to 51 passionate team members. We completed a successful IPO, warped from a single prototype to twelve LNC production units in three clusters, and tripled production capacity in the second half. Several pilot projects demonstrated significant impact and exceeded water-saving KPIs. We further secured a strategic partnership to accelerate commercialization in the Middle East and established Desert Control Americas in the United States.

Although covid-19 impacted people in our team, we are proud to report that health and safety remained the highest priority in maintaining a zero work-related injuries environment. As we founded our internal Desert Control Academy, lifesaving first aid training and health and safety programs were the first classes to be launched. The Academy will continue evolving to cover all aspects of people development programs as an integral part of our growth culture.

People and a uniting culture is the foundation of an organization, and the caliber of talented and enthusiastic people attracted to join our mission is truly inspiring. Amongst our 51 colleagues at the end of 2021, we have 16 nationalities with an amazing mix of experience, expertise, education, ages, and diverse cultural backgrounds that enrich our team. We do not have FTEs (Full-time equivalents); all our team members are FTIPPs – Full Time Intelligent and Passionate People.

At the time of publishing this report, we're amidst a war in Ukraine that will have devastating consequences for global food security. Millions depend on food from Ukraine, and hunger catastrophes will threaten the most vulnerable as food price increases and supply chains falter. In early March, Chicago futures for wheat soared 40 percent in one week, reaching the highest levels since 2008. The cost of fertilizers has increased by 30 percent since January, and scarcity impacts the ability to respond for wealthy countries as well as low- and middle-income countries. Degradation of land, accelerating loss of fertile soil, and increasing water scarcity further complicate the situation.

The outlook may seem dire, but solutions inspire hope. We are seeing barren land brought back to life; desert sand turned into farmland, regeneration of soil that preserves water and fertilizers, restoration of biodiversity, planting of trees, and a growing movement dedicated to climate-smart regenerative agriculture. All we need is more united action. By joining forces across inclusive institutions, governments, investors, and purpose-driven businesses committed to the interconnected prosperity of nature, people and planet, we can overcome even the greatest threats to life on earth!

Ole Kristian Sivertsen
President and Group CEO
Desert Control

2021 Highlights

- Raised NOK 200M and completed a successful IPO
- Grew from 6 to 51 passionate team members
- Awarded first commercial contract valued at NOK 3.4M
- Exceeded water-saving KPIs for several pilot projects
- Entered strategic partnership with Abu Dhabi based agriculture and nature conservation giant Mawarid Holding Investment to accelerate commercialization of LNC in the Middle East
- Agreed to establish a joint venture company for sales and distribution of LNC in the UAE
- Founded Desert Control Americas Inc. in the United States
- Established a new R&D center and innovation lab in Norway
- Launched the first high-capacity prototype for LNC production in January
- Warped from one prototype to twelve LNC production units in three clusters
- Increased production capacity by 300% in the second half
- Won global award for green innovation
- Gained global awareness as a selected Global Innovator by Expo Live, featured at EXPO 2020 Dubai
- Awarded R&D grant of NOK 11.9M by Innovation Norway for environmental technology

Desert Control concluded 2021 with a solid position and remains well-funded to execute the planned activities ahead. The company is moving toward full-scale commercialization in the UAE, securing independent product validation in the U.S., and building the team to ensure a robust and effective organization to drive the transition from start-up to scale-up in 2022.

51

passionate team members

300%

Increased production capacity

Financial key figures

Financial Highlights for the financial year 2021 (IFRS adjusted)

[2020 in brackets]

- Net proceeds from capital injection: NOK 190M
- Total cash balance 31.12.21 (bank deposits and funds): NOK 179.3M
- Equity 31.12.21 NOK 194M (equity ratio 95%)
- Revenue NOK 3.1M [NOK 1.0M]
- EBITDA: NOK – 31.1M [NOK -11.1M]
- Net Income: NOK -31.8M [NOK -11.2M]
- Gross R&D Investments: NOK 14.4M [NOK 4.5M] transferred to P&L according to IFRS accounting policy
- Innovation Norway/ Skattefunn grants NOK 8.7M [NOK 1.1M] transferred to the P&L according to the IFRS accounting policy

95%

Equity ratio

179.3M

Total cash balance 31.12.21 NOK

“We started the year with a validated plan. To realize the plan, we needed capital to fund it, technology to deliver it, and people to execute the plan, says Group CEO Ole Kristian Sivertsen. Closing the year, we are proud to report progress in all areas.”

Company presentation

WHO WE ARE

Desert Control is a company with global aspirations specializing in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Our 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.

LNC enables sand and degraded soil to retain water and nutrients, thus increasing crop yields and ecosystem resilience while preserving water resources by up to 50%. The patented LNC technology builds on 12 years of research and field testing and is validated by independent organizations.

Desert Control's business model is service-based, where users can order soil treatments for land areas and specific vegetation, trees, and agricultural crops. LNC is made using mobile production units and clusters transported to the user's location for on-site production and application of LNC. The company will typically charge a treatment cost per hectare plus a fixed fee per tree. In addition to LNC treatment, the company will also offer digital subscription services for field monitoring that ensures good soil health and optimized irrigation scheduling. The LNC treatment is estimated to last for 3-5 years, after which a top-up treatment may be required to prolong the effect.

Agriculture and food production already consume more than 70% of all available freshwater. Desertification and soil degradation further increases water consumption in a negative spiral. Our growing global population will require more food in the next 40 years than was produced over the last 500 years, putting even more pressure on vital resources such as water.

More than 110 countries worldwide suffer accelerating loss of fertile soil and water scarcity. According to the United Nations, twelve million hectares of fertile land perish to desertification, representing an annual $490 billion loss to the global economy. This is the problem Desert Control is determined to solve. We aspire to create global impact by enabling our innovation to scale exponentially, inspired by the vision of making earth green again.

WHAT WE DO

Land and soil degradation – one of the greatest threats of our time

Climate change and global warming degrade land, cause deserts to spread, and temperatures to rise in a vicious cycle. The degradation of land and soil cripples' terrestrial ecosystems crucial for biodiversity, CO^2 uptake, and nature's fragile balance vital for all life on earth.

Twelve million hectares of productive land perish annually due to droughts and soil degradation. Growing water scarcity magnifies the challenge of combating this dilemma. Nature alone lacks the resilience to endure continued overexploitation and the impacts of climate change. Disrupting current trends by restoring ecosystems and fostering sustainable use of scarce resources is crucial for the prosperity of nature, people and planet.

A solution to make earth green again

Desert Control specializes in reclaiming desert and degraded land by improving the productivity of sandy soils. Our patented Liquid Natural Clay (LNC) is a compound of natural materials and water proven to enhance sandy soils by reducing salinity and improving hygroscopic properties (ability to absorb and retain water and nutrients). Research by ICBA (International Center for Biosaline Agriculture) documents increased yields while using up to 50% less water for irrigation.

Restoring unproductive land and making deserts farmable can take 7-15 years. Soil treated with LNC can be planted within 7 hours, and one treatment lasts for 3-5 years. The revitalized soil facilitates sustainable land usage and climate-smart agriculture while strengthening the ecosystem's resilience to overexploitation and climate change.

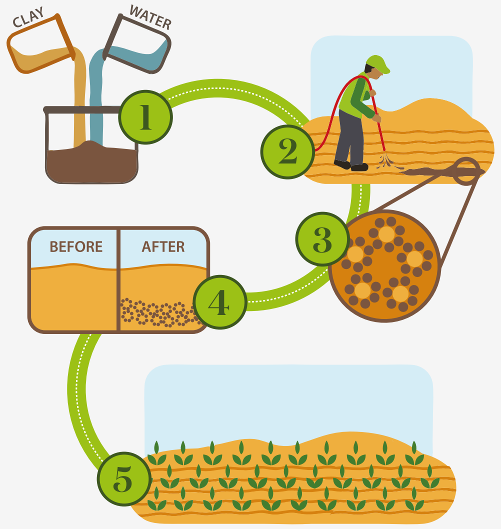
How it works: Spray, save and grow

1. Formulation and nano-processing of clay and water into a liquid compound tailor-made based on specific parameters such as soil / sand, water, and crop variables.
2. LNC is applied to sand or arid sandy soil using established irrigation methods. (LNC can even be applied through sprinkler and drip irrigation systems)
3. The LNC percolates into the soil by the force of gravity, forming a natural bond between sand particles.
4. When the LNC bonds with sand particles, a soil texture that increases water holding capacity is created.

   Example: Shaping desert sand into a ball with your hands is futile; the sand will flow through your fingers without taking shape. LNC gives the sand a soil texture that is formable so it can be shaped just like the darker, rich, and fertile soil types.

   Without LNC, water and nutrients merely flow straight through sand or arid soil and is lost; leaving plants, root systems, and fungus unable to make use of them. LNC enables the soil to retain water like a sponge and fosters perfect conditions for growth even in desert sand.
5. Seeds can be sown within 7 hours of an LNC application; allowing plants to grow even in areas previously unfeasible for them to survive.

LNC enriches sandy soils with traits comparable to high-quality farming soils. LNC is a mineral-based, entirely natural combination of clay and water (without any chemicals), ready for organic use.



The time to act is now

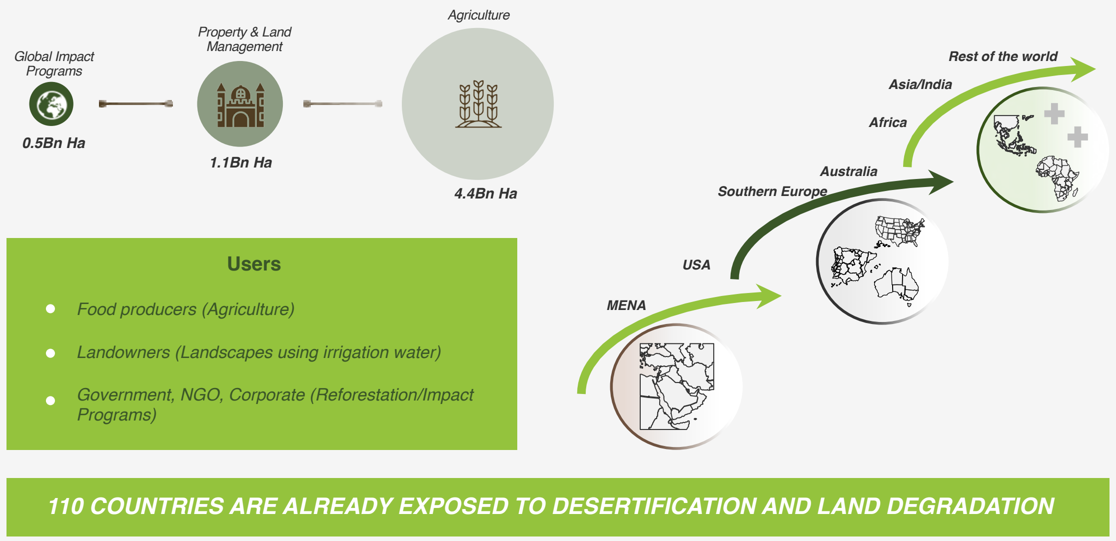
- Annual land lost to desertification and drought could produce 20 million tons of grain each year. Global food production must increase by 70% by 2050 to feed the growing world population.
- By 2025, 1.8 billion people will experience absolute water scarcity, and 2/3 of the world will live under water-stressed conditions.
- Restoring the soils of degraded ecosystems has the potential to sequester up to 6 billion tons of CO² annually.

We must make Earth green again, and the time to act is now!

OUR MARKET

The market for Liquid Natural Clay (LNC) is global and encompasses a variety of segments. More than 110 countries worldwide suffer desertification, accelerating loss of fertile soil, and water scarcity. Desert Control will initially focus on two segments; **agriculture** and **landscaping** – and two geographic markets; the United Arab Emirates and the United States.

GLOBAL ADDRESSABLE MARKET: >6BN HECTARES



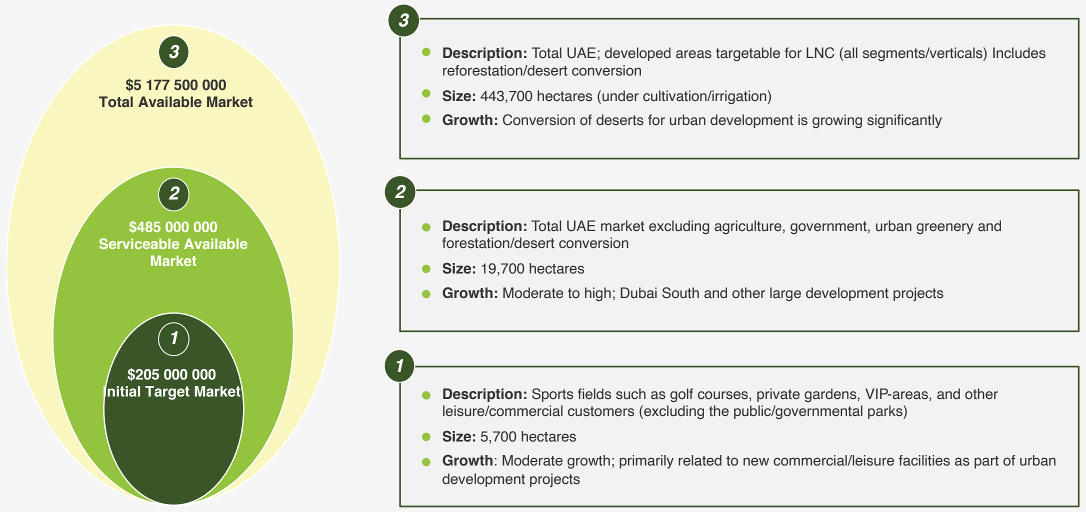
UNITED ARAB EMIRATES

Desert Control has been active in the United Arab Emirates (UAE) since 2018 for independent validation of the technology. The UAE is a highly attractive market for product launch, primarily due to its strategic location in the MENA region, limited arable land and available water resources. The UAE is further one of the countries contributing the most to ESG initiatives worldwide and is the world's top donor of development aid. It is estimated that the UAE constitutes an initial target market of USD 205 million, with the total available market being more than USD 5 billion.
Within agriculture, the UAE has approximately 38.000 farms, of which 60% are private farms ranging from 1 to 10 hectares in size. Further, with the increasing focus on food security by the UAE government, significant growth is expected in the UAE agriculture sector. Utilizing already scarce water resources will be critical to scaling up domestic agriculture to support national food security strategies.

Desert Control targets full-scale commercialization to deliver accelerating impact in the UAE from 2022.

MASSIVE ADDRESSABLE MARKET IN UAE

INITIAL TARGET MARKET: $205M

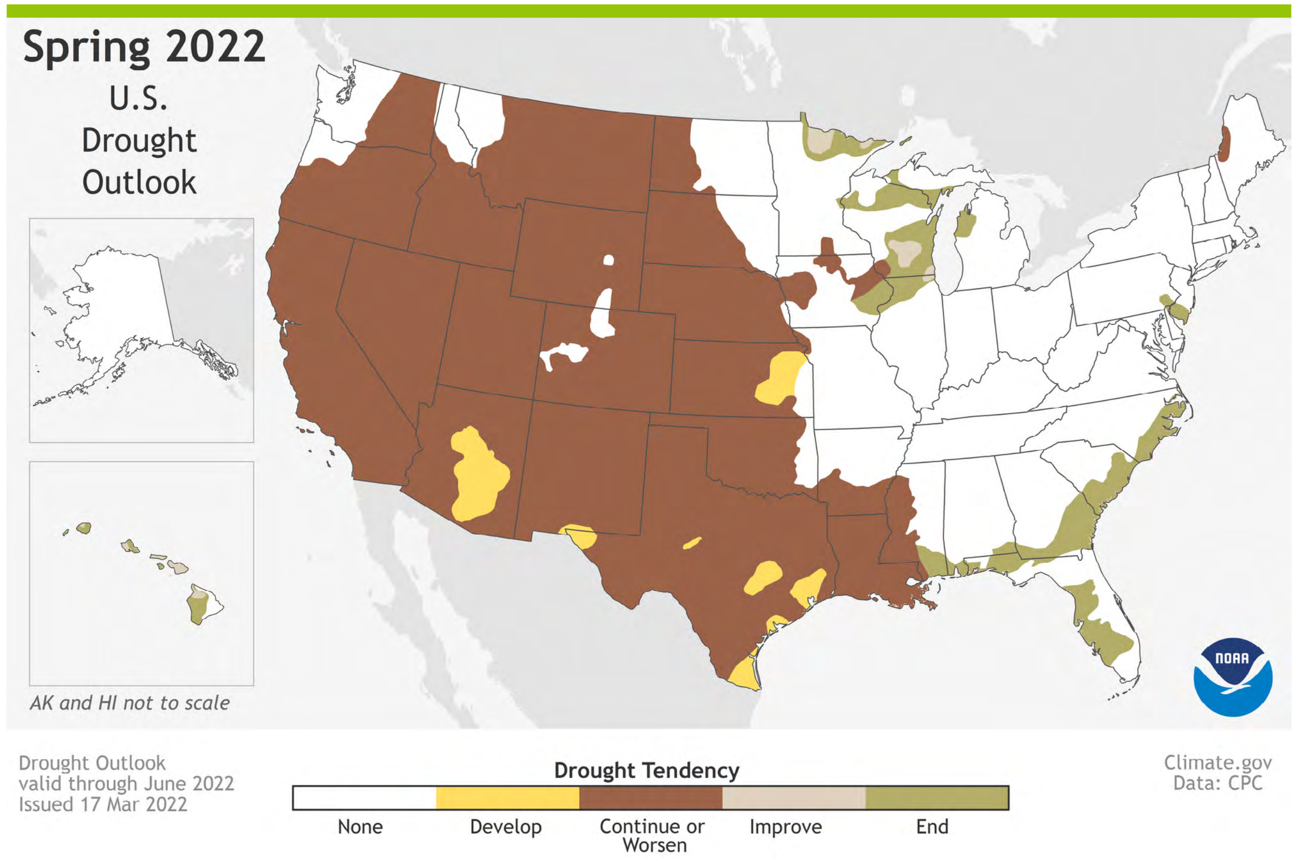


UNITED STATES

Desert Control Americas Inc is established in the United States to focus on the Sun Belt stretching from California through Arizona, Nevada, New Mexico, and Texas. These are states where sandy soils dominate and agriculture proliferates. 92% of all farmlands in the region are irrigated, accounting for 79% of all water withdrawals. Our operational headquarter for the U.S. will be based in Arizona, with strategic reach across the target region.

30% of all land in the United States is considered arid or semi-arid, and 40% of the continental United States is at risk of desertification. Since farmers began tilling the land in the Midwest, more than 50 billion metric tons of topsoil is estimated to have eroded. Degraded soil makes growing food more difficult and expensive. Without healthy soil, farmers won't be able to grow nutrient-dense food to feed our growing population. The calculated loss of soil in the region is part of a critical issue; some experts suspect that usable topsoil may be completely depleted within 60 years.

Droughts and increasing water scarcity is further adding to the challenge in the U.S. The Ogallala Aquifer (one of the world's largest aquifers) has annual withdrawals equivalent to 18 Colorado River basins and is expected to be 70% depleted in less than 50 years.



Desert Control targets to conduct scientific validation to ensure optimal feasibility of LNC for the U.S. market in collaboration with independent research institutions and universities and to launch several pilot projects in the United States in 2022.

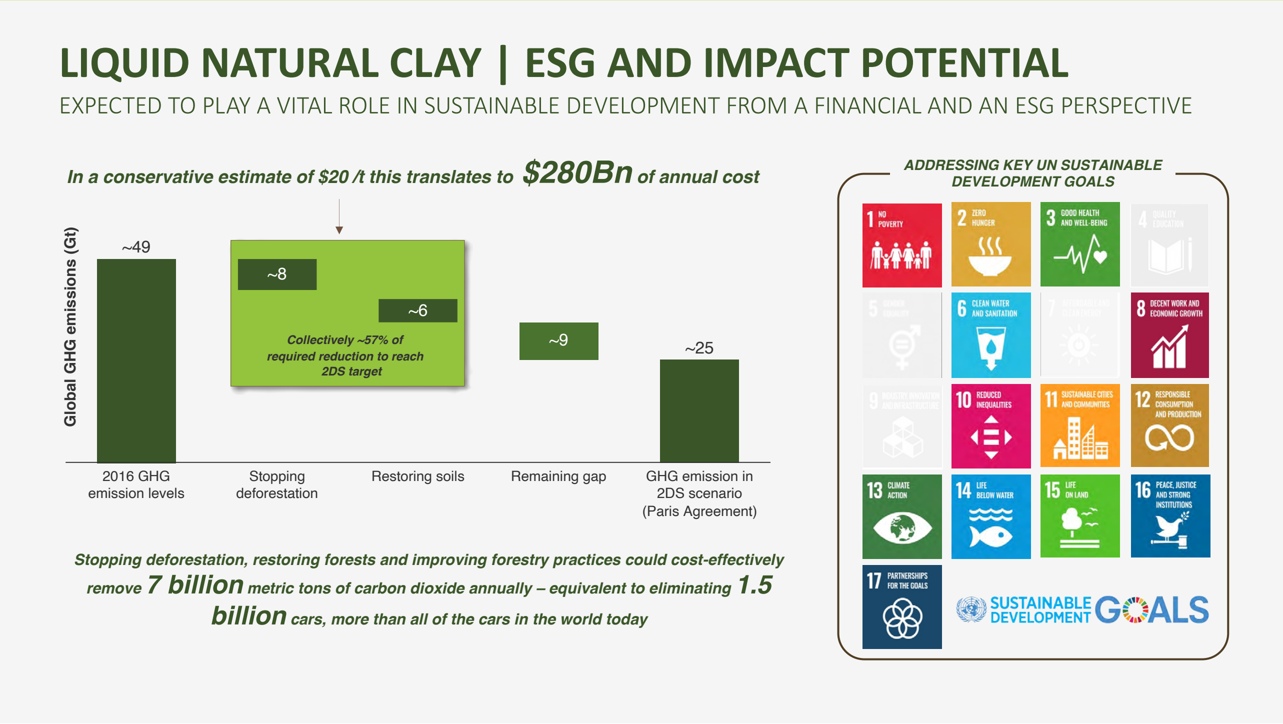
HOW WE CREATE VALUE

Desert Control's offering has a strong value proposition for a range of potential users with a short payback time. Agriculture and landscape users of LNC will benefit from cost savings on water and fertilizer, with agriculture enjoying further benefits from increased crop yields. Property values are also expected to increase if surrounded by fertile soil as opposed to barren and degraded land. In addition, several areas are introducing water regulations and restrictions, which may force operators such as sports fields, parks, and resorts to shut down unless meeting the applicable requirements.

Our value creation aligns with the principles of climate-smart agriculture:

- **Restore:** Mitigation of damages caused and reclaiming degraded land
- **Protect:** Adaptation of ecosystems to build resilience to climate change
- **Improve:** Prosperity and sustainability enhancement by lowering the consumption of inputs and increasing yields (improving profitability for farmers and growers)

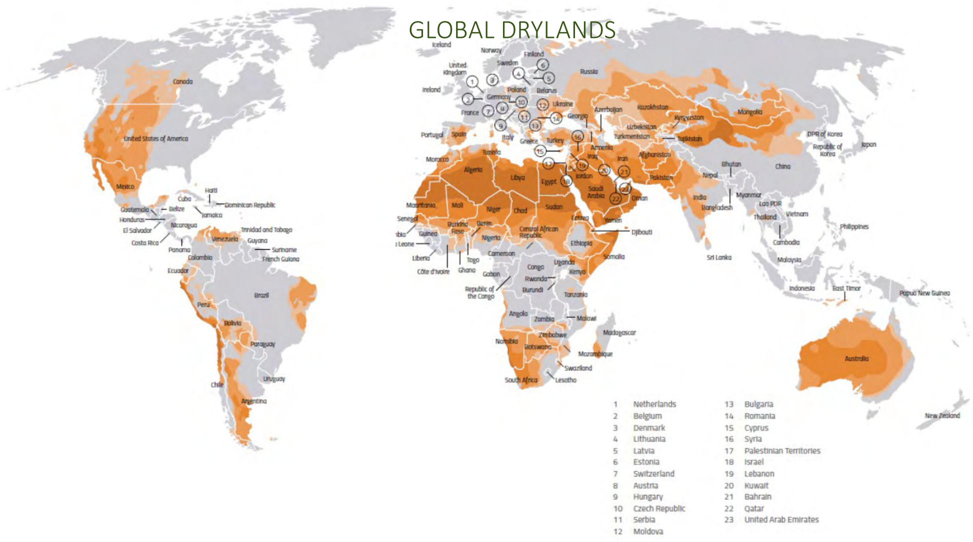
LNC is further expected to play a vital role in sustainable development:

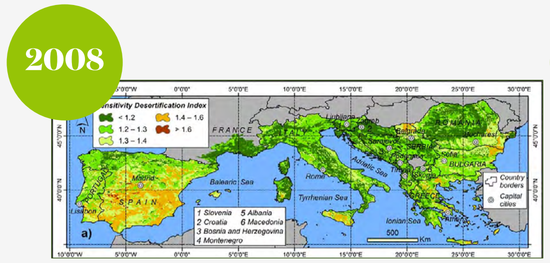


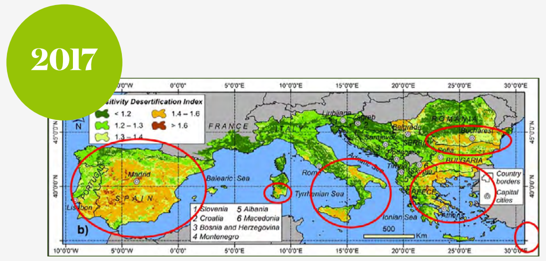
Executing our strategy aims to develop a tipple bottom line profitable business. We will add value for nature, people, and planet in ways that benefit our employees, the users of our innovation, our shareholders, partnerships, other stakeholders, and society at large.

MEGATRENDS

Desertification and degradation of topsoil is a global problem, and the United Nations has declared it one of the greatest challenges of our time. Currently, 110 countries are exposed to desertification and land degradation, and over 1.3 billion people are trapped on degrading agricultural land. 20% of the earth's drylands are degraded. It is estimated that 12 million hectares of productive land turn barren every year, representing a $490 billion annual loss to the global economy.







Desertification is not only a problem in proximity to deserts as we know them today. Desertification is also occurring in regions further away from the equator, such as Spain, Italy, and United States. 74% of the territory in Spain, +50% of Portugal, and 40% of the U.S. is at risk of desertification.

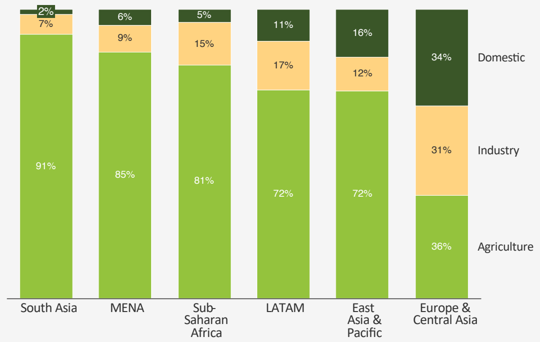
Desertification drives an accelerating need for more water to support agricultural activities. Due to the growing global population (estimated to be 10.9 billion in 2100), we will need to produce 60-70% more food, which will require 50% more water by 2050. Agriculture already accounts for ~70% of water withdrawals in the world, and as more soil turns to sand, we will need even more water.

70% OF FRESHWATER IN THE WORLD IS USED FOR AGRICULTURE

CURRENT APPROACHES IN AGRICULTURE YIELD LOW WATER EFFICIENCY GAINS

"As more soil turns to sand, we'll need even more water to maintain agriculture activities"

SHARE OF FRESHWATER WITHDRAWLS BY SECTOR (%)



Water 2030 Global Water Supply and Demand model; agricultural production based on IFPRI IMPACT-WATER base case

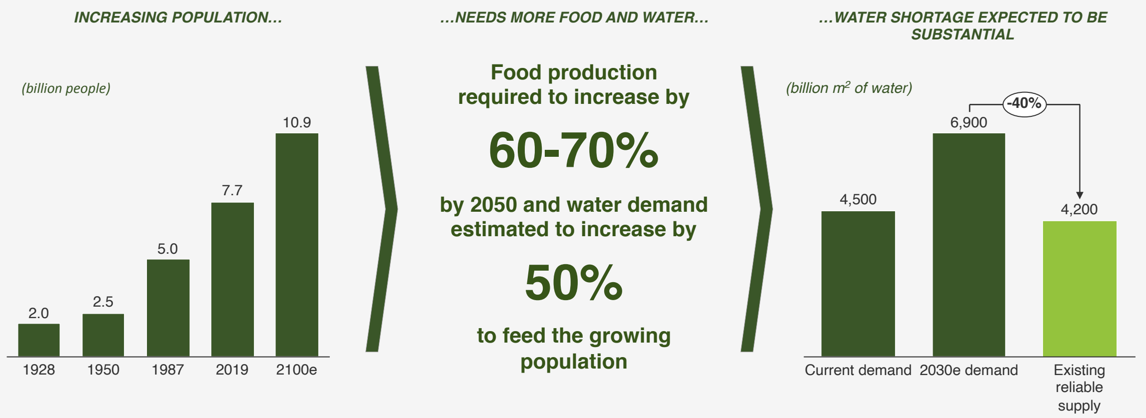
- The shortfall between demand and supply of water is estimated to be 40% by 2030
- Approx. 1/3 of the population will live in areas where the deficit is >50%
- The agriculture industry represents the single largest consumer of water in the world, accounting for ~70% of water withdrawals

Water challenges are therefor closely tied to food provisions, trade, and global food security

The main obstacle for the world in coping with this growing demand is that access to water has become increasingly difficult. Water scarcity will become an even bigger problem as the world combats global warming. It is estimated water shortage will reach 40% by 2030, with 1/3 of the world's population living in areas where the deficit is more than 50%. It is estimated that 1.8 billion people will experience absolute water scarcity by 2025.

POPULATION GROWTH DRIVING INCREASED DEMAND FOR FOOD AND WATER

WATER DEMAND EXPECTED TO EXCEED RELIABLE WATER SUPPLY BY 40% IN 2030



By 2025, 1.8 billion people will experience absolute water scarcity, and 2/3 of the world will be living under water-stressed conditions

United Nations
Convention to Combat Desertification

Source: Our World Data; Food and Health Organization; Water 2030 Global Water Supply and Demand model; agricultural production based on IFPRI IMPACT-WATER base case

Reducing water consumption and safeguarding soil and fertile land will be vital for creating a sustainable planet with resilience for the future.

OUR STRATEGY

Think Big:

Everything we do connects to our vision of making earth green again.

Start Small:

We do not spread our resources too thin. We start with a 2 + 2 strategy focusing on two countries and two segments — the United Arab Emirates and the United States, and the segments; Agriculture and Landscaping.

Act Fast:

Everything we do is with a sense of urgency. Once we reach our ambition, we level up quickly. With a good foundation for our 2 + 2 strategy, we move on to 4 + 4 with strong resolve.

Design to scale exponentially:

Climate change is a battle against time. With less than 60 years left before we run out of fertile topsoil, the only way to win is by solutions that can scale exponentially.

Keep it simple:

This is the key to exponential scalability. In everything we do, we ask, what if we multiply this by 1000 three times; What's the impact? Can we still manage it? Should it be designed differently? Then we prepare for that future scenario today – without "overengineering" and by the principle of simplicity.

HISTORY AND IMPORTANT EVENTS

2017

- Desert Control AS was founded in June 2017
- Awarded Global Innovator by EXPO 2020

2018

- Awarded EXPO 2020 Innovation grant
- First ICBA validation started

2019

- Knut Nesse appointed as Chairman of the Board
- Ole Kristian Sivertsen appointed as CEO
- First ICBA validation completed
- Desert Control Middle East acquired

2020

- Closes MNOK 42 seed round
- The company has 3 employees
- ICBA validation for the agriculture segment initiated
- First industrial prototype of the LNC production unit initiated
- Abu Dhabi entity established
- ICBA validation for the agriculture segment completed

2021

- First industrial prototype of the LNC production unit completed
- The company has 6 employees
- Innovation Norway grant of MNOK 11.9 awarded
- Closes MNOK 200 private placement
- Desert Control listed on Euronext Growth, Oslo Stock Exchange (DSRT)
- Entered MOU for strategic partnership with Mawarid Holding Investment in Abu Dhabi
- Second industrial prototype of the LNC production unit completed
- Awarded first commercial contract for Mawarid Holding Investment pilot project at MNOK 3.4
- Third and fourth LNC production units completed (completing the first prototype cluster of 4 units)
- Established R&D center and innovation lab in Norway
- Established Desert Control Americas Inc. in the United States
- First two industrial clusters for LNC production completed (8 units)
- Concluded strategic partnership agreement with Mawarid Holding Investment
- The company has 51 employees

2022

Year in review

In 2021, Desert Control grew from six to fifty-one passionate team members. We completed a successful IPO, warped from a single prototype to twelve LNC production units in three clusters, and tripled production capacity in the second half. Several pilot projects demonstrated significant impact and exceeded water-saving KPIs. We further secured a strategic partnership to accelerate commercialization in the Middle East and established Desert Control Americas in the United States.

Significant progress in the UAE

Several strategic priorities were executed according to plan during the year. The pilot initiative with Mawarid resulted in the agreement to enter into a strategic partnership. LNC production capacity was increased significantly according to set milestones, and the team grew substantially. Desert Control Middle East grew from three to thirty-five team members. Recruitment activities suffered some delays due to Covid-19. Most new hires were related to the field workforce required to operate LNC production units. Each cluster (4 units with a combined capacity to produce 60,000 liters of LNC per hour) is run by a team of eight operators, a field technician, and a supervisor.

Strong performance of pilots

Several pilots exceeded water-saving KPIs in the UAE during 2021. The team completed a pilot project with LNC treatment for a high-end VIP property in Abu Dhabi. The pilot objective was to achieve 25% water savings, and the results came in above 35%. Other pilots such as the In5 Tech Garden of Tecom Group and Dubai Holding continued to perform above 40%, and the agriculture pilots with Mawarid came through with solid results.

Expo 2020 Dubai

Expo Live featured Desert Control as a selected global innovator. Unique presentations of Liquid Natural Clay were showcased at The Good Place Pavilion, and demos were conducted in The Sustainability Pavilion of EXPO 2020 Dubai. The event, with duration until the end of March 2022, generated significant leads and opportunities as well as global awareness.

Expansion to the U.S.

Desert Control Americas Inc. was successfully established in the fourth quarter of 2021. The company was incorporated as a Delaware C-corporation with its business address in Palo Alto, California. Desert Control Americas is wholly owned by Norwegian Desert Control AS. The U.S. operational headquarter will be located in Arizona, strategically positioned to serve California, Arizona, Nevada, New Mexico, and Texas as the initial target market. On 17 December, an agreement with the University of Arizona was entered for the first pilot project on American soil. The pilot will be run as an independent feasibility study and will be launched in Q1 2022.

PEOPLE

Amongst our fifty-one colleagues at the end of 2021, we have 16 nationalities with an inspiring composition of experience, expertise, education, ages, and diverse cultural backgrounds that enrich our team. Excluding the field workforce, 33% of the employees are female, and the fifty-one employees are from sixteen nationalities, including Norwegian, Thai, Iranian, Filipino, Pakistani, British, Iraqi, Egyptian, Indian, Sudanese, Syrian, Swedish, Danish, Ugandan, Cameroonian, and Tunisian.

In Q4, Desert Control Academy was founded. The Academy will be a vibrant source for nurturing a uniting culture and is an essential component to support our exponential growth strategy. Starting with onboarding programs and health & safety training, Desert Control Academy will evolve to cover all aspects of people development programs as an integral part of our growth culture.

TECHNOLOGY

Desert Control succeeded with its 2021 objective to increase production capacity in the UAE. From a single prototype unit in Q1, the first prototype cluster of four units was completed in September. In Q4, two additional clusters were launched, bringing the total LNC production capacity to 180,000 liters per hour. The latest clusters were built in less than six weeks, demonstrating the ability to align production capacity effectively with market needs going forward.

To support the upcoming launch of validations initiatives in the United States, the development of a compact prototype unit was launched in the U.S. The unit would be finalized by the end of Q1 2022, in time for the planned launch of a validation study with the University of Arizona in Yuma.

New R&D center in Norway

On 25 November, Desert Control launched a new R&D center in Stavanger, Norway. The center will serve as the company's global innovation lab to consolidate all technology development and intellectual property in a central hub. The objective of the center is to strengthen innovation capabilities, accelerate the development of digital platforms, drive continuous improvement of LNC formulation through algorithms enabled by AI and machine- learning, and advance the development of "green-box" reactors and control systems.

Green-box reactors and control systems

The core of the patented LNC technology is the reactor that processes clays and natural minerals into its liquid state with unique properties. The reactor and other mechanical components of the mobile LNC production units will be managed by control systems that will integrate with the company's centralized formulation database and its global data collection networks. By centralizing the development of "green-box" reactors and control systems in Norway, the company gains firm control of intellectual property while enabling outsourcing of the building of container-sized LNC production units without exposing core IP, and to support global scale-up.

Other R&D priorities

Other priorities of the R&D center are to advance the areas of digitalization, formulation, and automation. LNC is tailored-made specific to unique combinations of various soils, plants, water qualities, and environmental factors. At the current stage, formulations are, to a large extent, managed manually, which requires more extensive training of operators. R&D initiatives under this area aim to fully automate this process, like LCD-operated coffee machines that can formulate the desired drink with the touch of a finger. This will, in turn, enable the future evolution of the company's business model to support exponential scalability.

In 2021, significant progress in the areas of field monitoring was made.

Continuous data collection from projects increases our knowledge base, which, in turn, is valuable to maintaining a sustainable competitive advantage. Data collection will further become the backbone for digital service subscriptions that will be offered to users of LNC treatment for field monitoring to support soil health management and optimized irrigation scheduling.

PARTNERSHIPS

Mawarid Desert Control

On 15 December, Desert Control and Mawarid Holding Investment announced entering a strategic partnership by forming a new sales and distribution company for LNC in Abu Dhabi. The new company, Mawarid Desert Control, shall accelerate the commercialization of LNC in the UAE.

Mawarid Desert Control will be incorporated as a limited liability company in Abu Dhabi under a 49/51 percentage shareholding between Desert Control and Mawarid. The 51% Mawarid shareholding enables the new company to be recognized as a local entity in the UAE. As a local entity, the company is fully qualified to deliver LNC and services to governmental, public, and private sectors. Mawarid Desert Control will be Desert Control's exclusive partner in the UAE.

Desert Control will provide LNC to Mawarid Desert Control at arms-length commercial terms. Mawarid Desert Control will resell LNC in combination with implementation and turnkey services to treat land areas in the local market. Desert Control remains the sole owner of all its IP, patents, data, and know-how; and will support the new company with methodology, protocols, and quality assurance measures to ensure delivery excellence and customer satisfaction. Desert Control also remains the owner of its production technology. Desert Control Middle East will be the operator of all clusters (LNC production units), using its expertise and experience to provide tailor-made LNC to Mawarid Desert Control and ensure joint success.

The strategic partnership will allow Desert Control to focus entirely on the continuous development of its LNC technology and the production of LNC. Mawarid Desert Control will manage sales, distribution, delivery, and application of LNC in the field. The strategic partnership secures access to Mawarid's 11,000-strong workforce with significant experience in agriculture, forestry, landscaping, and nature conservation. The synergistic partnership enables Desert Control to focus on its core, allowing for faster scale-up with optimal utilization of capital and resources.

The next phase targets full-scale commercialization in the UAE through Mawarid Desert Control, which will be incorporated in Q1 2022, with commercial activities expected to commence in Q2.

About Mawarid

Mawarid Holding Investment (MHI) is a reputable holding company with broad experience in agriculture, nature conservation, industry, services, hospitality, and other related business in the United Arab Emirates and the MENA region.

Mawarid has certain subsidiaries whose core business is agricultural, including Barari Natural Resources, Mawarid Services, and Mawarid Nurseries. Mawarid, through its subsidiaries, employs over 11,000 people and is one of the leaders in agriculture and landscaping, as well as nature conservation, with the management of 438 forest and nature reserves in Abu Dhabi covering over 200,000 hectares comprising 13 million forestry trees and 550,000 date palm trees.

"The nation that nurtures and builds its soil builds itself, says H.E. Abdul Jalil Alblouki, Chairman of Mawarid. We must treat our natural resources as assets to be passed on to the next generation at an increased value. In partnership with Desert Control, we can turn sand into soil, create arable land, and preserve water. Together we will nurture and safeguard natural resources to strengthen food security and the prosperity of our nation and our planet."

STRATEGIC PRIORITIES

- Commercialize in the UAE
- Validate in the U.S.
- Build the team and ensure an effective organization to transition from start-up to scale-up

IMPACT AND RESPONSE TO THE CORONAVIRUS PANDEMIC

Despite continued Covid impact on business operations in 2021, overall organization, technology, and production capacity development progressed according to plan with some Covid-related delays.

Regulations and mandates put in place by governments and authorities to prevent the spread of the pandemic have been adhered to. Employees have been following mandated home office based work and, on occasions, been exposed to quarantine and isolation. A total of more than 300 working days were lost in the UAE due to single incidents of covid infection, and close contact required quarantining. Logistics have also been affected, at par with other international businesses.

Continuing global logistics- and material shortage challenges may impact supply chains also in 2022.

THE DSRT SHARE

Top 20 shareholders 31.12

No of shares	Account name	% of total
5 900 000	OLESEN CONSULT HVAC AS	14,48
1 761 720	J.P. MORGAN BANK LUXEMBOURG S.A.	4,32
1 754 715	MONSUNEN FORVALTNING AS	4,31
1 650 000	OLE MORTEN OLESEN	4,05
1 543 371	BEYOND CENTAURI AS	3,78
1 485 860	NORDNET LIVSFORSIKRING AS	3,64
1 360 000	NESSE & CO AS	3,34
1 355 431	LITHINON AS	3,33
1 266 087	DnB NOR Bank ASA	3,11
1 215 275	LIN AS	2,98
1 135 843	ATLE IDLAND	2,79
1 000 000	JAKOB HATTELAND HOLDING AS	2,45
995 109	CACEIS Bank	2,44
958 275	THE NORTHERN TRUST COMP LONDON BRANCH	2,35
883 147	INVESTORE FINANS AS	2,17
819 671	CLEARSTREAM BANKING S.A.	2,01
789 484	JP MORGAN CHASE BANK N.A LONDON	1,93
627 715	SORTUN INVEST AS	1,54
627 715	GLOMAR AS	1,54
560 000	OKS CONSULTING AS	1,37
27 689 418	**20 largest shareholders**	**67,99**
40 724 639	**Total shares**	**100,00**

Origin of shareholders

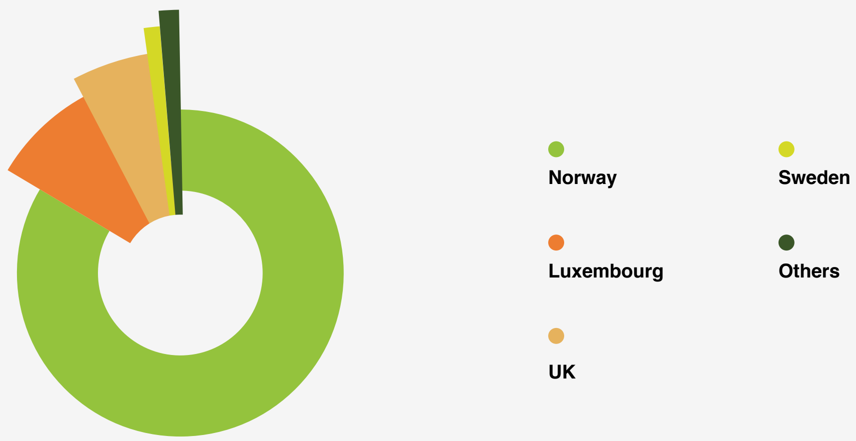
No of shares	%	Origin	# shareholders
34 142 441	83,84 %	Norway	3 273
3 576 500	8,78 %	Luxembourg	3
2 232 720	5,48 %	UK	12
357 156	0,88 %	Sweden	14
415 822	1,02 %	Others	46
40 724 639	100,00 %	Total	3 348

Total number of shareholders: 3 348 from 16 countries

Share development

DSRT
EURONEXT
GROWTH

Largest countries



Board of Directors

Knut Nesse

CHAIR

Seasoned international top executive
Developed >€6 billion global businesses in the food industry, nutrition and aquafeed sector

Kristian P. Olesen

BOARD MEMBER

Inventor and co-founder
HVAC Engineer, oil & gas sector experience
Relentless problem-solver

Brage W. Johansen

BOARD MEMBER

Serial-entrepreneur and co-founder of i.e.; Zaptec, Desert Control, Heimdall Power Innovation, start-up and scale-up focus

Marit Røed Ødegaard

BOARD MEMBER

International executive and board member Hydro Agri, Yara International, Kverneland
>30 years of agriculture/AgTech experience

Geir Hjellvik

BOARD MEMBER

Private Investor
Successful startup and exit with Revus Investments, financing and financial risk management

Arnfinn Matre

BOARD MEMBER

Part of the founding board member team
Oil, gas & offshore sector industry expert with mechanical engineering and industrial design experience

Report from the Board of Directors

NATURE OF THE BUSINESS

Desert Control specializes in climate-smart Agri-tech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay restores and protects soil, reducing water usage for agriculture, forests, and green landscapes.

Liquid Natural Clay (LNC) enables sand and degraded soil to retain water and nutrients. LNC increases crop yields while reducing water and fertilizer consumption by up to 50%.

Desert Control's business model is service-based and targets turnkey projects for LNC treatment of land areas, vegetation, crops, plants, and trees. LNC is produced on-site at customer locations using mobile factories. Further, the LNC is applied across the customer's land areas using existing irrigation systems and techniques. LNC is sprayed or applied directly onto the surface and percolates into the ground forming a soil structure that retains water and nutrient like a sponge. One LNC treatment may last 3-5 years, followed by periodic top-ups to maintain the optimal ability to retain water and nutrients. The Company's revenue model is pre-paid project deliveries direct (B2B) to customers within the segments of agriculture, forestry, and landscaping. Project pricing considers the size of land, type of vegetation, crops, and number of trees. Additional revenue sources may come from (1) periodic maintenance and (2) digital subscription services related to soil health monitoring, water management optimization, and digital farming services for precision agriculture and sustainable land management.

Desert Control AS is listed at Euronext Growth, Oslo, with ticker DSRT. It is incorporated under the laws of Norway. The Group headquarter is in Sandnes, Norway. The Group has active subsidiaries in Abu Dhabi, the United Arab Emirates, and California, USA. The Abu Dhabi company has a branch in Dubai, UAE.

The United Arab Emirates is Desert Control's first geographic market. In 2022, the Company aims to expand operations in the United States, focusing on California, Arizona, Nevada, and New Mexico.

Desert Control's ambition is to develop a global business with its vision of making earth green again.

DEVELOPMENT AND RESULTS

Desert Control AS was established in September 2017. Initially, the priority was to conduct scientific validation of LNC (turf 2019, vegetables 2020). In 2021, the focus shifted to building production capacity, frontloading resources to enable organizational scale-up, and preparing for the commercialization of the company.

Building production capacity

The first industrial mobile LNC production prototype was launched in January 2021 and the next in July. The third and fourth prototypes were completed in September 2021. The prototypes allowed for the design and production of the first two clusters (each production cluster consists of four production units) in the fourth quarter. The two standardized clusters were manufactured over just six weeks, showing that the company can increase capacity and align with market demand at short notice.

Strengthening the organization

The Desert Control Group had six employees at the start of 2021. Mid-year the number of staff had increased to 10. At the end of 2021, the team had grown to 51 people. The dominant growth was seen in the United Arab Emirates, where production workers were recruited.

Preparing for commercialization

On 14 January 2021, an operational headquarter was established in Abu Dhabi, the United Arab Emirates, with a branch in Dubai.

Desert Control raised NOK 200 million in a successful IPO and got listed at Euronext Growth on 14 April 2021.

On 8 June 2021, Desert Control was awarded its first commercial contract with the agriculture and nature conservation giant Mawarid in Abu Dhabi, United Arab Emirates. The initial contract value was $375,000 and included the implementation of Liquid Natural Clay (LNC) for agriculture and forestry applications to serve as a pilot for a potential future strategic partnership. The pilot was successful, and Mawarid and Desert Control decided to enter a strategic partnership by forming a new sales and distribution company for LNC in Abu Dhabi, named Mawarid Desert Control LLC. Under this agreement, the new Company forms with sales and distribution rights for LNC across the Middle East and North Africa (MENA) and will be Desert Control's exclusive partner in the UAE. The Company will buy LNC from Desert Control at arms-length commercial terms. The Company will further resell LNC in combination with implementation and turnkey services to treat land areas in the local markets. Desert Control remains the sole owner of all its IP, patents, data, and expertise. It will support the new Company with methodology, protocols, and quality assurance measures to ensure delivery excellence and customer satisfaction. Desert Control also remains the owner of its production technology. Desert Control Middle East will operate all clusters (LNC production units), using its expertise and experience to provide tailor-made LNC to the new sales- and distribution company for all its projects and deliveries.

The strategic partnership will allow Desert Control to focus entirely on the continuous development of its LNC technology and the production of LNC. Sales, distribution, delivery, and the application of LNC in the field will be managed by the new jointly owned Company. The sales and distribution company will have access to Mawarid's 11,000-strong workforce with considerable experience in agriculture, forestry, landscaping, and nature conservation. The synergistic partnership with Mawarid in the Middle East allows Desert Control to focus on its core, allowing for faster scale-up with optimal utilization of capital and resources.

On 24 September 2021, Desert Control Americas Inc. was incorporated as a Delaware C corporation with its office in Palo Alto, California. Desert Control AS wholly owns Desert Control Americas. The U.S. operational headquarter will be located strategically to serve California, Arizona, Nevada, and New Mexico as its initial target market. On 17 December, the company reached a final agreement with the University of Arizona for the first pilot project on American soil, which will launch in Q1 2022.

RESEARCH AND DEVELOPMENT ACTIVITIES

The overall R&D capacity was significantly increased during 2021. A team of four engineers entered the business in Norway during the autumn, and the R&D team also onboarded three members in UAE. The company established an R&D center in Stavanger, Norway, in November, and the intention is to make this a global innovation lab.

Expenses related to R&D amount to NOK 14.4 million for 2021. The dominant part of this cost relates to prototypes for the production and application of LNC. Furthermore, an additional NOK 5.3 million has been recognized as R&D from ordinary employee hours. Innovation Norway awarded an R&D project in early 2021 at a total project cost of NOK 26 million and a grant level of NOK 11.9 million. A total of NOK 8.9 million is credited as cost reduction to salaries and operating expenses per 31.12.2021. NOK 9.4 million has been received, and the balance for 2022 is NOK 2.5 million.

FINANCIAL RESULTS

The sales income of 2021 for the Group, NOK 3.1 million, represents the value of work carried out for pilot projects.
Salary expenses increase significantly for 2021 compared to 2020 as the number of employees has grown considerably over the year. The reported payroll for 2021 was NOK 15.0 million against NOK 7.3 million for 2020. Other costs are also substantially higher due to the preparation for commercialization.

Desert Control has adopted the International Financial Reporting Standards (IFRS) for the first time for the annual financial statement for 2021, the comparable figures for 2020 have been adjusted accordingly. The main effect for the first time adoption of IFRS is that R&D expenses will no longer be capitalized in the balance sheet but charged to expenses as they occur. The total increase in expenses caused by the change in accounting policy is NOK 8.7 million for 2021 and NOK 5 million for 2020 compared to the previously used NGAAP policy for small entities in Norway.

The net profit for 2021 for the Group is a loss of NOK 31.8 million. The 2020 net profit was a loss of NOK 11.2 million.

ALLOCATION OF PROFIT

The share premium covers the 2021 net loss of NOK 31.8 million for the Group and NOK 22.4 million for Desert Control AS. The Board does not recommend a dividend to be paid for 2021.

BOARD INSURANCE

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

FORWARD-LOOKING STATEMENTS AND COMPANY OUTLOOK

The Company's long-term ambition is to commercialize the LNC product and associated services for a global market. According to the United Nations, more than 110 countries suffer desertification and extensive soil degradation, and deserts are spreading rapidly. Impacted regions include the West Coast of the United States, the Middle East, Africa, Australia, India, several countries across Asia, and Southern Europe.

In 2022, the company will focus on full-scale commercialization in UAE. Desert Control Middle East will drive the commercialization effort in collaboration with the new company Mawarid Desert Control planned to be established in Q1. We expect commercial activities to commence from Q2. We will transfer pilots and early-stage opportunities from Desert Control to the new joint venture.

Desert Control will further extend scientific validation initiatives for LNC to the United States in 2022. The objective is to demonstrate the transferability of the results achieved in the Middle East to other geographies. The University of Arizona is the first research partner selected for the initiative, and other University initiatives and commercial pilot projects will follow.

Desert Control will continue to strengthen the executive leadership team in the coming year to secure the company's further transition from a start-up to a scale-up company. As commercialization commences, the company will target the alignment of the production capacity with the business plan and market demand. The business model balances rapid growth with balanced financial risk.

The Company's Board of Directors are optimistic about the Company's overall outlook and opportunities for 2022.

The Board of Directors of Desert Control AS
Sandnes, Norway, 27 April 2022

Knut Nesse
Chair

Kristian P. Olesen
Member of the Board

Brage W. Johansen
Member of the Board

Arnfinn Matre
Member of the Board

Marit Røed Ødegaard
Member of the Board

Geir Hjellvik
Member of the Board

Ole Kristian Sivertsen
Chief Executive Officer

Corporate governance

Desert Control was listed at Euronext Growth (Oslo Stock Exchange) on 14 April 2021 under the ticker DSRT, following a successful initial public offering (IPO) and private placement of NOK 200 million. The Articles of Association were revised accordingly to state that the shares should be registered at VPS and to express the new level of shares.

The company has established a governance framework and executes its business in accordance with its code of conduct and governance policies. Communication and information management is handled in accordance with the Euronext Growth rules, and the equal treatment of shareholders is an essential part of this.

The Board holds two authorizations to increase the share capital a) issue of up to 5% of share capital for the purpose of funding incentive scheme for employees and b) 10% for the purpose of securing the financing of the company's development.

The power of attorney is limited to two years from the date of the resolution and will be managed with biennial renewals.

The Board is represented by five men and one woman. Four of the board members represent major shareholders of the company. All board members hold shares in the company.

The company has not established a nomination committee for the purpose of proposing candidates for election of the Board.

The company has not established a remuneration committee. The Board remuneration is subject to approval by the General Assembly. The compensation to the CEO is determined by the Board of Directors.

Risk management

Desert Control has developed a novel and proprietary innovation to reduce the water consumption required to cultivate crops and green landscapes suffering from sandy soils and drought. The solution contributes to stopping and reversing desertification and soil degradation and reduces water consumption for green ecosystems. The United Nations reports that 12 million hectares of fertile land perish to desertification annually, and the market risk is considered low.

Desert Control has carried out numerous pilots, which indicates a consistent effect on water savings and improved yield. However, big commercial contracts have not yet been reported. Thus, the commercial risk remains high until the commercialization stage that commences in 2022 delivers confirmation of actual market adoption.

The Group holds cash and funds, adding to NOK 179 million by per end of 2021, representing 88% of the total balance sheet. Although the company is yet to generate cash from operations, the Board concludes the current holdings are satisfactory to execute the plan for the coming year. Capital expenditures can be added at short notice, as the production equipment is mobile and modular, shaped like twenty-foot containers. The Board of Directors views the Company's development as positive and considers the likelihood of attracting new capital at Euronext Growth to finance the Company's future expansion as high. The liquidity risk is therefore viewed as moderate.

Desert Control is financed through equity. The initial public offering raised NOK 200 million in new equity in the spring of 2021. Equity is reported at NOK 194 million on 31.12.2021. Total debts are reported at NOK 10 million. The equity ratio is 95% at the end of 2021. Credit risk is considered low.

The Board confirms that the financial statement has been prepared under the assumption of going concern. The Board's decision builds on the market opportunities, reported results, the financial situation, and established budgets.

People and work environment

The workforce of the Group adds up to fifty-one employees at the end of 2021. The Company has implemented a recruitment and onboarding process to ensure optimal balance between expertise, experience, and personal values to build a solid and uniting culture. The Company further values diversity. Excluding the field workforce, 33% of the employees are female, and the fifty-one employees are from sixteen nationalities, including Norwegian, Thai, Iranian, Filipino, Pakistani, British, Iraqi, Egyptian, Indian, Sudanese, Syrian, Swedish, Danish, Ugandan, Cameroonian, and Tunisian.

The Company targets fair and equal treatment of genders and diversity factors, also concerning remuneration. The company is dedicated to maintaining an engaged and motivated international labor workforce with decent conditions, hereunder accommodation, insurance, pension, and the right to visit the home country.

The Company has not registered any injuries or accidents during 2021. However, the obligatory use of personal protection equipment has been addressed as some discrepancies have been noted in this area. Furthermore, the formalization of personal protection in the desert will be strengthened, including policies regarding sun protection, shade, water, and food.

Two employees have registered long-term absences caused by sickness. Some short-term sick leave has been reported, but the COVID-19 illness is not easy to account for accurately as home-office-based work has been mandated for extended periods during the pandemic.

The Board considers the working environment as satisfactory.

Environmental, social, and governance (ESG)

Sustainability impact (SDGs)

Liquid Natural Clay (LNC) can reduce water consumption for agriculture, forests, and green landscapes by up to 50%. The amount of water required to produce LNC is recovered within 2-3 weeks (offset by irrigation water savings). Increased crop yields with improved water efficiency contribute significantly to the United Nations Sustainable Development Goals (SDGs), including reducing hunger and securing access to clean water. Arid regions using energy-intensive seawater desalination can further significantly reduce CO2 and greenhouse gas (GHG) emissions.

LNC enables sandy soil and desert land to retain water and nutrients. Reduction of water consumption further allows for reducing fertilizer usage. Reduced leaching of fertilizers and pesticides through the soil can further minimize the risk of chemical run-off reaching through to natural water systems and oceans. Stopping fertilizer and pesticide leaching can further improve life below the water by reducing ocean acidification and eutrophication.

According to the Intergovernmental Panel on Climate Change (IPCC), restoring degraded soil ecosystems can globally offset 5-6 Gt of CO2 annually. Even degraded soils have degrees of stored carbon. When tilling or mechanically working amendments into the ground, carbon exposed to oxygen may turn into CO2 and escape into the atmosphere. LNC can be applied directly to the surface of the ground without intervention to the soil. LNC percolates into the ground in a non-intrusive way without exposing any carbon to surface air oxygen; safeguarding the carbon storage of soil ecosystems and fostering increased carbon sequestration.

Non-intrusive soil treatment is further gentle to fragile soil ecosystems, home to 95% of all biological species on earth. Reclaiming and protecting soil is therefore critical to preserving and restoring biodiversity.

Mining clay and the production of LNC requires energy. Logistics and transportation of material, equipment, personnel, and manufacturing also require energy. Desert Control strives to reduce energy consumption in all stages of the process and facilitate the use of renewable energy sources wherever available. These negative impact factors are, by far, surpassed by the sum of positive impacts from stopping and reversing desertification and soil degradation, reducing water consumption, and other environmental benefits.

LNC has no adverse impact on any of the 17 United Nations Sustainable Development Goals (SDGs). Further, LNC has a significant direct positive impact on 9 of the SDGs.

Consolidated Financial Statements Desert Control Group

Consolidated statement of comprehensive income

For the years ended 31 December

Amounts in NOK	Notes	2021	2020
Revenue from sales	2.1	3 127	-
Other income	2.2	-	557
Total income		**3 127**	**557**
Cost of goods sold (COGS)		563	40
Gross margin		**2 564**	**517**
Salary and employee benefit expenses	2.3	14 993	7 290
Other operating expenses	2.4	18 662	4 328
Depreciation and amortisation	3.1,3.2	1 544	9
Impairment	3.1,3.2	658	-
Operating profit or loss		**-33 293**	**-11 110**
Finance income	4.6	1 730	94
Finance costs	4.6	179	212
Profit or loss before tax		**-31 743**	**-11 229**
Income tax expense	5.1	-	-
Profit or loss for the year		**-31 743**	**-11 229**
Allocation of profit or loss:			
Profit/loss attributable to the parent		-31 743	-11 229
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-72	-35
Total items that may be reclassified to profit or loss		-72	-35
Total other comprehensive income for the year		**-72**	**-35**
Total comprehensive income for the year		**-31 815**	**-11 264**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-31 815	-11 264
Earnings per share ("EPS"):			
Basic EPS - profit or loss attributable to equity holders of the parent	4.8	-0.88	-0.49
Diluted EPS - profit or loss attributable to equity holders of the parent	4.8	-0.88	-0.49

DESERT CONTROL

Consolidated statement of financial position

Amounts in NOK	Notes	31.12.2021	31.12.2020	01.01.2020
ASSETS				
Non-current assets				
Goodwill		6 504	6 345	6 562
Property, plant and equipment	3.1	10 525	1 385	-
Right-of-use assets	3.2	2 006	-	-
Deferred tax assets	5.1	-	-	-
Total non-current assets		**19 036**	**7 730**	**6 562**
Current assets				
Accounts receivable		544	-	-
Other receivables	2.5	5 597	2 002	40 434
Other current financial assets	4.1	77 347	-	-
Cash and cash equivalents	4.5	101 924	28 935	534
Total current assets		**185 412**	**30 937**	**40 969**
TOTAL ASSETS		**204 447**	**38 667**	**47 531**
EQUITY AND LIABILITIES				
Equity				
Share capital	4.4	122	70	68
Share premium		230 849	40 994	43 537
Currency translation differences		-107	-217	-
Retained earnings		-36 592	-5 531	-301
Total equity		**194 273**	**35 316**	**43 304**
Non-current liabilities				
Non-current lease liabilities	3.2	1 423	-	-
Total non-current liabilities		**1 423**	**-**	**-**
Current liabilities				
Current lease liabilities	3.2	528	-	-
Trade and other payables	2.6	2 523	838	2 701
Public duties payable	2.6	1 023	415	343
Other current liabilities	2.6	1 497	2 098	1 182
Contract liabilities	2.3	3 181	-	-
Total current liabilities		**8 751**	**3 351**	**4 226**
Total liabilities		**10 175**	**3 351**	**4 226**
TOTAL EQUITY AND LIABILITIES		**204 447**	**38 667**	**47 531**

The Board of Directors of Desert Control AS
Sandnes, Norway, 27 April 2022

Knut Nesse
Chair

Kristian P. Olesen
Member of the Board

Brage W. Johansen
Member of the Board

Arnfinn Matre
Member of the Board

Marit Røed Ødegaard
Member of the Board

Geir Hjellvik
Member of the Board

Ole Kristian Sivertsen
Chief Executive Officer

Consolidated statement of cash flows

For the years ended 31 December

Cash flows from operating activities (NOK)	Notes	2021	2020
Profit or loss before tax		**-31 743**	**-11 229**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.6	-1 550	119
Depreciation and amortisation	3.1	1 544	9
Impairment	3.2	658	-
Share-based payment expense	4.7	811	1 608
Working capital adjustments:			
Changes in accounts receivable and other receivables	2.5	-4 139	38 432
Changes in trade payables, duties and social security payables	2.6	2 292	-1 791
Changes in other current liabilities and contract liabilities	2.7	2 579	916
Net cash flows from operating activities		**-29 547**	**28 064**
Cash flows from investing activities (NOK)			
Purchase of property, plant and equipment	3.1	-10 632	-1 394
Purchase of financial instruments	4.1	-77 009	-
Proceeds from sale of property, plant andequipment	3.1	300	-
Interest received		462	71
Net cash flow from investing activities		**-86 879**	**-1 323**
Cash flow from financing activities (NOK)			
Proceeds from issuance of equity	4.4	200 000	1 720
Transaction costs on issue of shares	4.4	-10 093	-52
Lease payments	3.2	-1 098	-
Interest received		462	1
Net cash flows from financing activities		**189 271**	**1 668**
Net increase/(decrease) in cash and cash equivalents		**72 845**	**28 409**
Cash and cash equivalents at beginning of the year/period	4.5	28 935	534
Net foreign exchange difference		144	-9
Cash and cash equivalents, end of year		**101 923**	**28 935**

Consolidated statement of changes in equity

Amounts in NOK	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 1 January 2020	**68**	**43 537**	**-**	**-301**	**43 304**
Profit (loss) for the year		-4 209		-7 020	-11 229
Other comprehensive income			-35		-35
Issue of share capital (Note 4.5)	1	1 719			1 720
Transaction costs		-52			-52
Share based payments (Note 4.8)				1 608	1 608
Balance at 31 December 2020	**70**	**40 994**	**-35**	**-5 713**	**35 316**
Profit (loss) for the year				-31 743	-31 743
Other comprehensive income			-72	53	-19
Issue of share capital (Note 4.5)	53	199 948			200 000
Transaction costs		-10 093			-10 093
Share based payments (Note 4.8)				811	811
Balance at 31 December 2021	**122**	**230 849**	**-107**	**-36 592**	**194 272**

Notes to the consolidated financial statements

1.1 GENERAL INFORMATION

Corporate information

The consolidated financial statements of Desert Control AS and its subsidiaries (collectively, "the Group" or "Desert Control") for the twelve months period ended 31 December 2021 were authorised for issue by a Board meeting held on 27 April 2022.

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.

LNC enables sand and degraded soil to retain water and nutrients, thus increasing crop yields and ecosystem resilience while preserving water resources by up to 50%.

Agriculture and food production already consume more than 70% of all available freshwater. Desertification and soil degradation drive a negative spiral of increasing water consumption and decreasing yields for global food production. Feeding our planet's growing population will require more food in the next 40 years than was produced over the last 500 years, putting even more pressure on vital resources such as water. This is the problem Desert Control is determined to solve. According to the United Nations, thirty million acres of fertile land (equal to Pennsylvania) perish to desertification annually, representing an annual loss of $490 billion to the global economy. Desert Control's vision is to make our planet earth green again.

1.2 BASIS OF PREPARATION

The consolidated financial statements of the Group comprise 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 International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), and represents the first financial statements of the Group in accordance with IFRS. See section 8.1 for information related to first time adoption.

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

Comparative financial information is provided for the preceding period in the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows. An additional statement of financial position as at 1 January 2020 is presented in these financial statements due to the first time adoption of IFRS.

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.

1.3 SIGNIFICANT ACCOUNTING POLICIES

Desert Control AS has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgemental considerations are disclosed in the notes to which the policies relate. Other accounting policies are presented below:

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Capitalisation of internal development costs

Development expenditures on an individual project, which represents new applications/technology, are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Other costs are classified as research and are expensed as incurred.

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone, such as regulatory approval.

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The accounting policies applied by management which includes a significant degree of estimates and assumptions or judgements that may have the most significant effect on the amounts recognised in the financial statements, are summarised below:

Estimates and assumptions:

- Share based payments (note 4.8)
- Measurement of deferred tax assets (note 5.1)

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A detailed description of the significant estimates and assumptions are included in the individual note where applicable.

Accounting judgements:

- Determining whether deferred tax assets should be recognised (note 5.1)

A detailed description of the significant accounting judgements are included in the individual note where applicable.

2.1 REVENUE FROM CONTRACTS WITH CUSTOMER

ACCOUNTING POLICIES

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principle in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

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

By area of operation:	**2021**	**2020**
Liquid NaturalClay (LNC)	3 127	-
Total	**3 127**	**-**

By geographic market:	**2021**	**2020**
Norway	223	-
USA	-	-
UAE	2 903	-
Total	**3 127**	**-**

2.2 OTHER INCOME

ACCOUNTING POLICIES

Other income

Other operating income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Other income	**2021**	**2020**
Income from hiring out management	-	557
Total other income	**-**	**557**

2.3 SALARY AND EMPLOYEE BENEFIT EXPENSES

ACCOUNTING POLICIES

Salary and employee benefit expenses comprise all types of remuneration to personnel employed by the Group (ie. not contracted manpower) and are expensed when earned. Ordinary salaries can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. The employer's national insurance contribution (social security) is calculated and expensed for all payroll related costs including pensions. Pension contributions are earned on a monthly basis. Other employee expenses consist of other benefits such as insurance, telephones and remuneration to the Board of Directors.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction in the expense line item on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Innovation Norway approved a project within Miljoteknologiordningen (English:environmental technology) early 2021 at NOK 26 million with 45% grant rate, i.e. in total NOK 11.85 million. The project is anticipated to run from 2021 to mid 2022. As at 31 December 2021 an amount of NOK 2,850k of government grants (Innovasjon Norge) has been received without the related costs having been incurred, and hence presented as Contract liabilitites (unearned government grants).

Pensions

The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). Contributions are paid to the defined contribution pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Employee benefit expenses	**2021**	**2020**
Salaries	14 644	6 460
Government grant	-2 367	-328
Social security costs	1 481	626
Pension costs	275	152
Other employee expenses	960	381
Total employee benefit expenses	**14 993**	**7 290**
Average number of full time employees (FTEs)	18.4	5.3

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

2.4 OPERATING EXPENSES

ACCOUNTING POLICIES

Other operating expenses are recognised when they occur and represent a broad range of operating expenses incurred by the Group in its day-to-day activities. Other operating expenses consist of expenses that are not classified on the lines for cost of materials, employee benefit expenses, depreciation and amortisation.

Other operating expenses	**2021**	**2020**
Audit and accounting fees	526	149
Consulting fees	336	-1
Legal expenses	1 149	-101
Travel expenses	1 832	89
Lease expenses	41	16
Research expenses	14 387	3 742
Government grant	-6 496	-785
Other operating expenses	6 887	1 220
Total other operating expenses	**18 662**	**4 328**

Auditor fees	**2021**	**2020**
Audit fee	83	60
Other services	88	5
Total remuneration to the auditor	**171**	**65**

Audit fee:

The amounts above are excluding VAT.

2.5 OTHER RECEIVABLES

ACCOUNTING POLICIES

Other receivables

Other receivables are financial assets initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. Other receivables are subject to impairment by recognising an allowance for expected credit losses.

Other receivables consist mainly of VAT receivables and government grant receivables which are expected to be realised or consumed in the normal operating cycle within twelve months after the reporting period.

Expected credit losses

The Group applies the simplified approach in calculating expected credit losses (ECL). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements

Other receivables	**31.12.2021**	**31.12.2020**	**01.01.2020**
Other receivables	5 597	2 002	40 434
Total other receivables	**5 597**	**2 002**	**40 434**

* The balance at 1 January 2020 includes NOK 40 mill of claims for payment of unregistered share capital.

The credit loss allowance is insignificant.

For details regarding the Group's procedures on managing credit risk, reference is made to note 4.3.

2.6 TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables are liabilities, i.e. present contractual obligations arising from a result of past events where settlement is expected to result in an outflow of resources (payment). Trade payables consist of invoices for goods and services where the Group has received the significant risks and rewards of ownership as of 31.12. Other payables mainly consist of withholding payroll and social security tax.

Trade and other payables are measured at fair value upon initial recognition and subsequently at amortised cost. Trade and other payables are expected to be settled within the normal operating cycle within twelve months after the reporting period.

Trade and other payables	**31.12.2021**	**31.12.2020**	**01.01.2020**
Trade payables	2 523	838	2 701
Withholding payroll taxes and social security	1 023	415	343
Other current liabilities	1 497	2 098	1 182
Contract liabilities	3 181	-	-
Total trade and other payables	**8 223**	**3 351**	**4 226**

For trade and other payables ageing analysis, see note 4.2.

2.7 PROVISIONS

ACCOUNTING POLICIES

Provisions are liabilities with uncertain timing or amount and are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

A provision is made and calculated based on management assumptions at the time the provision is made and is updated as and when new information becomes available. All provisions are reviewed at the end of the financial year. No provisions have been made at year end 2020 or 2021.

Other commitments and contingencies

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the possibility of an outflow of economic resources is considered remote.

Contingent assets are not recognised in the annual accounts but are disclosed when an inflow of economic benefits is considered probable. The Group has no contingent assets or liabilities that meet the criteria for disclosure.

Other commitments

The Group did not provide guarantees to or on behalf of third parties or related parties. The Group have no other significant commitments to disclose.

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group assesses, at each reporting date, whether there is an indication that property, plant and equipment may be impaired. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The abbreviation CGU means cash generating unit.

	Plant and machinery	Fixtures and fittings	Total
Cost as at 1 January 2020	**-**	**-**	**-**
Additions	1 188	206	1 394
Cost as at 31 December 2020	**1 188**	**206**	**1 394**
Additions	10 079	553	10 632
Disposals	-300	-	-300
Currency translation effects	-	-	-
Cost as at 31 December 2021	**10 967**	**759**	**11 726**
Depreciation and impairment as at 1 January 2020	**-**	**-**	**-**
Depreciation for the year	-	9	9
Depreciation and impairment as at 31 December 2020	**-**	**9**	**9**
Depreciation for the year	434	143	577
Impairment for the year	644	14	659
Disposals	-	-	-
Currency translation effects	-44	-	-44
Depreciation and impairment as at 31 December 2021	**1 035**	**166**	**1 200**
Net book value:			
At 01 January 2020	**-**	**-**	**-**
At 31 December 2020	**1 188**	**197**	**1 385**
At 31 December 2021	**9 932**	**593**	**10 525**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

3.2 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

ACCOUNTING POLICIES

At inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- The supplier does not have a substantive right to substitute the asset throughout the period of use
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the contract period

GROUP AS A LESSEE

At the commencement date, the Group recognises a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognises the lease payments as operating expenses in the consolidated statement of comprehensive income.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise:

- Fixed lease payments, less any lease incentives received
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group presents its lease liabilities as separate line items in the consolidated statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset includes the corresponding amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date and initial direct costs incurred.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, applying the same policies for impairment as for property, plant and equipment (Note 3.1). The right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. Depreciation is calculated on a straight-line basis.

The Group presents its right-of-use assets as separate line items in the consolidated statement of financial position.

The Group's leased assets
The Group leases two warehouse properties.

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

Right-of-use assets		
	Warehouse	**Total**
Acquisition cost at 1 January 2020	**-**	**-**
Additions of right-of-use assets	-	-
Acquisition cost at 31 December 2020	**-**	**-**
Additions of right-of-use assets	2 998	2 998
Currency translation effects	-	-
Acquisition cost at 31 December 2021	**2 998**	**2 998**
Depreciation and impairment at 1 January 2020	**-**	**-**
Depreciation of right-of-use assets	-	-
Depreciation and impairment at 31 December 2020	**-**	**-**
Depreciation of right-of-use assets	992	992
Currency translation effects	-	-
Depreciation and impairment at 31 December 2021	**992**	**992**
Carrying amount at 1 January 2020	**-**	**-**
Carrying amount at 31 December 2020	**-**	**-**
Carrying amount at 31 December 2021	**2 006**	**2 006**
Remaining lease term or remaining useful life	1-4 years	
Depreciation plan	Straight-line method	

Expenses in the period related to practical expedients and variable payments	**2021**	**2020**
Short-term lease expenses	1 072	-
Low-value assets lease expenses	-	-
Variable lease expenses in the period (not included in the lease liabilities)	-	-
Total lease expenses in the period	**1 072**	**-**

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

The Group's lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	**31.12.2021**	**31.12.2020**	**01.01.2020**
Less than one year	1 453	-	-
One to two years	532	-	-
Total undiscounted lease liabilities	**1 986**	**-**	**-**

Changes in the lease liabilities - 2020	**Total**
At first time adoption of IFRS 1 January 2020	**-**
New leases	-
Cash payments for the principal portion of the lease liability	-
Cash payments for the interest portion of the lease liability	-
Interest expense on lease liabilities	-
Total lease liabilities at 31 December 2020	**-**
Current lease liabilities in the statement of financial position	528
Non-current lease liabilities in the statement of financial position	1 423

Changes in the lease liabilities - 2021	**Total**
At 1 January 2021	**-**
New leases recognised during the period	2 998
Cash payments for the lease liability	-1 098
Interest expense on lease liabilities	52
Currency translation effects	-
Total lease liabilities at 31 December 2021	**1 952**
Current lease liabilities in the statement of financial position	1 423
Non-current lease liabilities in the statement of financial position	528

4.1 Financial instruments

Accounting policies
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification of financial instruments
The Group's financial instruments are grouped in the following categories:

Financial Assets
- Financial assets measured subsequently at amortised cost: Includes mainly other receivables and cash and cash equivalents
- Financial assets measured subsequently at fair value through profit or loss: Includes other current financial assets

With the exception of other current financial assets, the Group's financial assets are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

Financial Liabilities

- Financial liabilities measured subsequently at amortised cost: Represent the Group's non-interest bearing liabilities such as trade payables.

The Group does not have derivative financial instruments measured at fair value. All financial assets and liabilities are measured subsequently at amortised cost, with the exception of other current financial assets measured at fair value.

Initial recognition and subsequent measurement

Financial assets and liabilities at amortised cost

The Group's financial assets and liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in profit or loss upon impairment, when the instruments are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included as finance costs in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised at fair value are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment of financial assets

Financial assets measured at amortised cost are considered for impairment by recognising an allowance for expected credit losses (ECLs). The Group applies a simplified approach (as applicable for trade receivables) in calculating ECLs, where the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases its ECLs on its historical losses, adjusted for forward-looking factors specific to the debtors and the economic environment. See note 4.3 for further information related to management of credit risk.

Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, the Group has transferred its rights to receive cash flows from the asset or The Group has assumed an obligation to pay the received cash flows in full under a "pass-through" arrangement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

31.12.2021	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Other receivables	2.5	5 597		5 597
Other current financial assets*			77 347	77 347
Cash and cash equivalents	4.5	101 924		101 924
Total financial assets		**107 521**	**77 347**	**184 868**
Liabilities				
Trade and other payables	2.6	2 523		2 523
Total financial liabilities		**2 523**	**-**	**2 523**

31.12.2020	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Other receivables	2.5	2 002		2 002
Other current financial assets*			-	-
Cash and cash equivalents	4.5	28 935		28 935
Total financial assets		**30 937**	**-**	**30 937**
Liabilities				
Trade and other payables	2.6	838		838
Total financial liabilities		**838**	**-**	**838**

01.01.2020	**Notes**	**Financial instruments at amortised cost**	**Financial instruments at fair value through profit or loss**	**Total**
Assets				
Other receivables	2.5	40 434		40 434
Other current financial assets*			-	-
Cash and cash equivalents	4.5	534		534
Total financial assets		**40 969**	**-**	**40 969**
Liabilities				
Trade and other payables	2.6	2 701		2 701
Total financial liabilities		**2 701**	**-**	**2 701**

* Other current financial assets consist of fixed income fund, managed by SKAGEN (47,210) and Storebrand (30,136). The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.7.

4.2 FINANCIAL RISK MANAGEMENT

Overview

The Group's principal financial liabilities, comprise lease liabilities, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include other current financial assets, other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to a range of risks affecting its financial performance, including market risk, credit risk and liquidity risk. The Group seeks to minimise potential adverse effects of such risks through sound business practise, risk management and hedging.

Risk management is carried out by Group management under policies approved by the Board. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises three types of risk: interest rate risk, currency risk and other price risk, such as fixed income fund prices. Financial instruments affected by market risk include other current financial assets and cash and cash equivalents.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has a limited exposure to the risk of changes in market interest rates as it currently has no interest bearing debt. The future cash flows from cash and cash equivalents and other current financial assets is dependant on market interest rates. Currently the Group does not hedge interest rate risk exposure with the use of financial instruments, but may enter into contracts to offset some of the risk depending on the future funding and expected interest rates.

Interest rate sensitivity

As the sensitivity to a possible change in interest rates is only relating to expected returns on bank deposits and fixed income funds, it has not been determined value adding to present interest rate sensitivity analyses.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to changes in foreign exchange rates relates primarily to the Group's operating activities (income and expenses denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The Group's assets and liabilities at the end of the reporting period are mainly denominated in NOK. The expenses are mainly denominated in NOK and AED, with some exposure in USD and EUR. Currently the Group does not hedge currency exposure with the use of financial instruments, but monitors the net exposure over time.

Foreign currency sensitivity

As the sensitivity to a possible change in foreign currencies is limited and primarily relating to net investments in foreign entites, intercompany loans, payables and receivables, it has not been determined value adding to present currency risk sensitivity analyses.

Other price risk

Except for the price of fixed income funds, which are primarily impacted by interest rate changes and thereby covered in the discussion above, the Group currently holds no financial instruments subject to risk of market price changes.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss.

The Group is exposed to credit risk related to other receivables, cash and cash equivalents and other current financial assets.

The Group only uses highly reputable banks and fund managers in order to reduce credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its working capital and securing sufficient funding from investors.

The Group's objective is to secure funding for its working capital, including mainly the research and development of LNC. Except for the non-current lease liability, all loans and payables are due to be paid within 12 months from the balance sheet date.

4.3 FAIR VALUE MEASUREMENT

ACCOUNTING POLICIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value disclosures

Management has assessed that the fair values of cash and short-term deposits, other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and the current risk free interest rates.

Other current financial assets

Other current financial assets comprise investments in fixed income funds, managed by SKAGEN / Storebrand, thus the fair value is categorised as level 1 measurements.

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

	Date	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets measured at fair value						
Other current financial assets (Note 4.1)		77 347	77 347	X		

There were no transfers between the levels during the current period.

4.4 EQUITY AND SHAREHOLDERS

ACCOUNTING POLICIES

Costs related to equity transactions

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

Distribution to shareholders

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

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

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 1 January 2020	**22 681**	**3,00**	**68 043**
Share issue	497	3,00	1 491
At 31 December 2020	**23 178**	**3,00**	**69 534**
Share split 1:1 000	23 178 000	0,003	69 534
Share issue 22 February 2021	340 000	0,003	1 020
Share issue 9 April 2021	17 108 640	0,003	51 326
Share issue 6 August 2021	98 000	0,003	294
			-
At 31 December 2021	**40 724 640**	**0,003**	**122 174**

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

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

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2021	Total shares	Ownership/ Voting rights
Olesen Consult HVAC AS	5 900 000	14,5 %
J.P. Morgan Bank Luxembourg S.A.	1 761 720	4,3 %
Monsunen Forvaltning AS	1 754 715	4,3 %
Ole Morten Olesen	1 650 000	4,1 %
Beyond Centauri AS	1 543 371	3,8 %
Nordnet Livsforsikring AS	1 485 860	3,6 %
Nesse & Co AS	1 360 000	3,3 %
Lithinon AS	1 355 431	3,3 %
DnB NOR Bank ASA	1 266 087	3,1 %
LIN AS	1 215 275	3,0 %
Atle Idland	1 135 843	2,8 %
Jakob Hatteland Holding AS	1 000 000	2,5 %
CACEIS Bank	995 109	2,4 %
The Northern Trust Comp, London Br	958 275	2,4 %
Investore Finans AS	883 147	2,2 %
Clearstream Banking S.A.	819 671	2,0 %
JPMorgan Chase Bank, N.A. London	789 484	1,9 %
Sortun Invest AS	627 715	1,5 %
Glomar AS	627 715	1,5 %
OKS Consulting AS	560 000	1,4 %
Others	13 035 222	32,0 %
Total	**40 724 640**	**100,0 %**

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

4.5 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes which may not be used for other purposes.

Cash and cash equivalents	31.12.2021	31.12.2020	01.01.2020
Bank deposits, unrestricted	101 303	28 696	431
Bank deposits, restricted	621	239	103
Total cash and cash equivalents	**101 924**	**28 935**	**534**

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

4.6 FINANCIAL INCOME AND EXPENSES

ACCOUNTING POLICIES

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

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

Interest costs on lease liabilities represents the interest rate implicit in the lease, or the incremental borrowing rate used to measure the lease liabilities recognised in the statement of financial position, for further disclosures see note 3.2.

Finance income	2021	2020
Interest income	467	71
Other finance income	347	-
Gain on foreign exchange	916	22
Total finance income	**1 730**	**94**
Finance costs	**2021**	**2020**
Interest expenses	0	1
Other finance costs	-	3
Loss on foreign exchange	179	209
Total finance costs	**179**	**212**

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on overdue payables, measured and classified at amortised cost in the statement of financial position.

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

4.7 SHARE BASED PAYMENTS

ACCOUNTING POLICIES

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

EQUITY-SETTLED TRANSACTIONS

Under the main schemes the employees are granted options to purchase shares after 1, 2, and 3 years vesting periods. The shares are subject to a four-year trading restriction after purchase at the vesting date. As the amount to be paid for the shares is close to zero, the award is practically shares with 5, 6, and 7 year trading restrictions.

The cost of these equity-settled transactions is determined by the fair value at the date when the grant is made, which has been estimated to the value of the shares at the grant date reduced by an estimated purchase price of 5, 6, and 7 year put options using an appropriate valuation model (the Black-Scholes-Merton Model).

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 4.9).

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or restrictive share unit, volatility and dividend yield and making assumptions about them. Due to limited historical data and liquidity these assumptions include significant estimates made by management. The most significant assumption is the volatility of the share price, which has been set to 80% due to the immature nature of the Group and its technology.

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

The fair value of the options were determined at the grant dates and expensed over the vesting period. NOK 811k have been expensed as employee benefit expenses in the period (NOK 1,608k in 2020).

	2021 WAEP	2021 Number	2020 WAEP	2020 Number
Outstanding options 1 January	**0,003**	**1 000 000**	**0,003**	**600 000**
Options granted	0,003	0	0,003	600 000
Options forfeited	0,003	0	0,003	0
Options exercised	0,003	-450 000	0,003	-200 000
Options expired	0,003	0	0,003	0
Outstanding options 31 December	**0,003**	**550 000**	**0,003**	**1 000 000**
Exercisable at 31 December		0		0

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 0.48 years (2020: 0.90 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 (2020: NOK 0.003).

The weighted average fair value of the shares at date of grant was 5.79. In the valuation, the share price at grant has been reduced by 58.9% for the shares subject to 5 year trading restrictions, 62.4% for the shares subject to 6 year trading restrictions and 65.3% for the shares subject to 7 year trading restrictions. (2020: NOK 2.66 reduced by the same discounts due to trading restrictions).

Assumptions used to determine fair value of share option grants:

	2021	2020
Weighted average fair values at the grant date	-	2.21
Dividend yield (%)	0	0
Expected volatility (%)	80	80
Risk–free interest rate (%)	1	1
Expected life of restricted shares (years)	5-7	5-7
Weighted average share price (NOK)		5.79
Model used	BSM	BSM

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. Share based payment valuations are considered level 3 measurements, ref note 4.3.

DESERT CONTROL

4.8 EARNINGS PER SHARE

ACCOUNTING POLICIES

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

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

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

(NOK)	2021	2020
Profit or loss attributable to ordinary equity holders - for basic EPS	-31 742 812	-11 229 394
Profit or loss attributable to ordinary equity holders adjusted for the effect of dilution	-31 742 812	-11 229 394
Weighted average number of ordinary shares - for basic EPS	35 976 313	23 055 452
Weighted average number of ordinary shares adjusted for the effect of dilution	36 526 313	23 715 452
Basic EPS - profit or loss attributable to equity holders of the parent	**-0.88**	**-0.49**
Diluted EPS - profit or loss attributable to equity holders of the parent	**-0.88**	**-0.49**

5.1 TAXES

ACCOUNTING POLICIES

Current income tax

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

Deferred tax

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

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

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

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

The Group has 32,663k of tax losses carried forward as at 31 December 2021 (NOK 14,563k as at 31 December 2020 and NOK 8,029k as at 1 January 2020). These losses primarily relate to historical losses in the parent company. The tax losses carried forward may be offset against future taxable income and have no expiry date.

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

Current income tax expense:	**2021**	**2020**
Tax payable	-	-
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	**-**	**-**

Deferred tax assets:	**31.12.2021**	**31.12.2020**	**01.01.2020**
Property, plant and equipment	-779	-732	-
Lease liabilities	-1 952	-	-
Losses carried forward (including tax credit)	-31 000	-12 592	-
Basis for deferred tax assets:	**-33 731**	**-13 324**	**-**
Calculated deferred tax assets	-7 421	-2 931	-
- Deferred tax assets not recognised	7 421	2 921	-
Net deferred tax assets in the statement of financial position	**-0**	**0**	**-**

Deferred tax liabilities	**31.12.2021**	**31.12.2020**	**01.01.2020**
Right-of-use assets	2 006	-	-
Basis for deferred tax liabilities	**2 006**	**-**	**-**
Calculated deferred tax liabilities	**441**	**-**	**-**
- Deferred tax not recognised	-441	-	-
Deferred tax liabilities recognised in the statement of financial position	**0**	**-**	**-**

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

6.1 INTERESTS IN OTHER ENTITIES

ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of Desert Control AS and its subsidiaries as at 31 December 2021. The subsidiaries are consolidated when control is achieved as defined by IFRS 10. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. However, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group does not have ownership in joint arrangements as defined by IFRS 11, other associates, interests in unconsolidated structured entities or interests in unconsolidated subsidiaries that require disclosure under IFRS 12.

The consolidated entities

The subsidiaries of Desert Control AS are presented below:

Consolidated entities 31 December 2021	Office	Currency	Shareholding and the Group's voting ownership share	Date of consolidation
Desert Control Americas, Inc.	USA	USD	100%	31.12.2021
Desert Control Middle East FZ LLC	Abu Dhabi, UAE	AED	100%	31.12.2021
Desert Control Middle East LLC	Abu Dhabi, UAE	AED	49%*	31.12.2021

*Desert Control owns 49% of Desert Control Middle East LLC Abu Dahbi, with the remaining 51% being held by a local corporate sponsor due to local regulations requiring sponsorships. A shareholder agreement secures Desert Control 100% of any dividends and 100% of the controlling stake in Desert Control ME.

All subsidiaries are included in the consolidated statement of financial position

7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

Remuneration of the Board of Directors

Remuneration of the members of the Board is determined by the Annual General Meeting (AGM). No remuneration has been paid in 2021.

Remuneration to the management team

The Board of Desert Control AS determines the principles applicable to the Group's policy for compensation to the management team. The Board is directly responsible for determining the CEO's salary and other benefits. The Group's management team includes the CEO, CTO, CFO, TSO and VP of Sales and Marketing.

Principles for determining salary

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

Pension

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

Other benefits

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

Severance Arrangements

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

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

Loans and guarantees

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

Remuneration to the management team for the year ended 31 December 2021:

	Salary	Discounted shares	Pension	Other compensation	Total remuneration
Ole Kristian Sivertsen (CEO)	1 984	868	51	124	3 027
Erling Rasmussen (CFO)	1 136	434	47	23	1 640
Tor Mæhlum Karlsen (CTO)	1 106	659	38	10	1 813
Hege Kverneland (TSO)	185	366	8	17	576
Atle Idland (VP, Sales & Marketing)	1 674		(*)		1 674
Total	**6 084**	**2 327**	**143**	**174**	**8 729**

Remuneration to the management team for the year ended 31 December 2020:

	Salary	Discounted shares	Pension	Other compensation	Total remuneration
Ole Kristian Sivertsen (CEO)	1 322	868	51	21	2 262
Erling Rasmussen (CFO)	750	-	33	12	795
Tor Mæhlum Karlsen (CTO)	77		3	0	80
Hege Kverneland (TSO)	33	-	1	-	34
Atle Idland (VP, Sales & Marketing)	911		(*)	283	1 194
Total	**3 093**	**868**	**88**	**316**	**4 364**

*Eligible for gratuity pension of 1 month pay for each year of service.

The board members did not receive compensation for their work on the board in 2020 and 2021.

Shares held by the management team:	31.12.2021	31.12.2020
Ole Kristian Sivertsen (CEO)	560 000	360 000
Erling Rasmussen (CFO)	446 085	175 000
Tor Mæhlum Karlsen (CTO)	73 000	-
Hege Kverneland (Technology Strategy Officer)	41 500	-
Atle Idland (VP, Sales & Marketing)	1 135 843	1 200 000
Total	**2 256 428**	**1 735 000**

Shares held by the Board of Directors:	31.12.2021	31.12.2020
Knut Nesse (Chair)	1 360 000	1 360 000
Kristian P. Olesen* (through controlling share in Olesen Consult HVAC AS)	5 900 000	6 000 000
Arnfinn Matre	120 000	120 000
Brage W. Johansen	1 543 371	1 800 000
Geir Hjellvik	1 355 431	500 000
Marit Røed Ødegaard	30 000	-
Total	**10 308 802**	**9 780 000**

* Kristian P. Olesen owns 60 % of Olesen Consult HVAC AS, who holds 5.9 mill shares in Desert Control.

Share options held by the management team:	31.12.2021	31.12.2020
Ole Kristian Sivertsen (CEO)	200 000	400 000
Erling Rasmussen (CFO)	200 000	300 000
Tor Mæhlum Karlsen (CTO)	150 000	225 000
Hege Kverneland (TSO)	-	35 000
Atle Idland (VP, Sales & Marketing)	-	-
Total	**550 000**	**960 000**

7.2 RELATED PARTY TRANSACTIONS

Related parties are major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1. Shares, share options held by management and the Board are also summarised in note 7.1.

All transactions within the Group or with other related parties are based on the principle of arm's length.

During 2021, Desert Control has bought engineering services amounting to NOK 446k from the board member Kristian P. Olesen and engineering services from the board member Arnfinn Matre amounting to NOK 1,091k

In addition, there is an interest-bearing loan from Desert Control AS to Desert Control Middle East LLC amounting to NOK 25 million at December 31st 2021. The loan is set to be repaid within November 30th 2022.

At December 31st 2021, intercompany receivables amounts to NOK 443k payable from Desert Control Middle East LLC and NOK , 402k payable from Desert Control Americas Inc, both payable to Desert Control AS.

7.3 EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Adjusting events

N/A

Non-adjusting events

N/A

8.1 FIRST TIME ADOPTION OF IFRS

These financial statements, for the twelve months period ended 31 December 2021 are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Accordingly, the Group has prepared financial statements that comply with IFRSs together with comparative amounts for the period ended 31 December 2020, as described in the basis of preparation (Note 1.2). In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group's date of transition to IFRSs.

This note explains the principal adjustments made by the Group when transitioning to IFRSs from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") for small entities as of 1 January 2020, as well as for the period ended 31 December 2020.

Exemptions applied

Desert Control AS has not applied any of the exemptions from the retrospective application available to first-time adopters under IFRS 1.

Effect of transition to IFRS

The main differences recognised at the transition to IFRSs are adjustments to capitalisation and expensing in the recognition of research and development expenditures, recognition of share based payment as salary components. (Desert Control had no significant leasing arrangements with terms longer than 12 months before 2021, i.e. there was no impact from IFRS 16 Leases at the transition date. From 2021 right-of-use assets and leasing liabilities relating to contracts entered into in 2021 have been recognised).

Reconciliation of transitional effects

Reconciliation of equity and financial position as at 1 January 2020:

		01.01.2020		
ASSETS (NOK)	**Note**	**NGAAP "IB 2020"**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Goodwill		6 562	-	6 562
Research and development		-	-	-
Property, plant and equipment		-	-	-
Investment in subsidiaries		-	-	-
Right-of-use assets		-	-	-
Deferred tax assets		-	-	-
Total non-current assets		**6 562**	**-**	**6 562**
Current assets				
Inventory		-	-	-
Accounts receivables		-	-	-
Other receivables		40 434	-	40 434
Intercompany receivables		-	-	-
Other current financial assets		-	-	-
Cash and cash equivalents		534	-	534
Total current assets		**40 969**	**-**	**40 969**
TOTAL ASSETS		**47 531**	**-**	**47 531**

EQUITY AND LIABILITIES			
Equity			
Share capital	68	-	68
Share premium	43 537	-	43 537
Currency translation differences	-	-	-
Retained earnings	-301	-	-301
Total equity	**43 304**	**-**	**43 304**
Non-current liabilities			
Non-current lease liabilities	-	-	-
Deferred tax liabilities	-	-	-
Non-current provisions	-	-	-
Total non-current liabilities	**-**	**-**	**-**
Current liabilities			
Current lease liabilities	-	-	-
Trade and other payables	2 701	-	2 701
Intercompany payables	-	-	-
Public duties payable	343	-	343
Other current liabilities	1 182	-	1 182
Contract liabilities	-	-	-
Total current liabilities	**4 226**	**-**	**4 226**
Total liabilities	**4 226**	**-**	**4 226**
TOTAL EQUITY AND LIABILITIES	**47 531**	**-**	**47 531**

There are no IFRS adjustments to the 1 January 2020 statement of financial position.

Reconciliation of equity and financial position as at 31 December 2020:

		31.12.2020		
ASSETS (NOK)	**Note**	**NGAAP**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Goodwill		6 345	-	6 345
Research and development	A	3 441	-3 441	-
Property, plant and equipment		1 385	-	1 385
Investment in subsidiaries		-	-	-
Right-of-use assets		-	-	-
Deferred tax assets		-	-	-
Total non-current assets		**11 171**	**-3 441**	**7 730**
Current assets				
Inventory		-	-	-
Accounts receivables		-	-	-
Other receivables		2 002	-	2 002
Intercompany receivables		-	-	-
Other current financial assets		-	-	-
Cash and cash equivalents		28 935	-	28 935
Total current assets		**30 937**	**-**	**30 937**
TOTAL ASSETS		**42 108**	**-3 441**	**38 667**
EQUITY AND LIABILITIES				
Equity				
Share capital		70	-	70
Share premium		40 994	-	40 994
Currency translation differences		-217	-	-217
Retained earnings	A	-2 090	-3 441	-5 531
Total equity		**38 757**	**-3 441**	**35 316**
Non-current liabilities				
Non-current lease liabilities		-	-	-
Deferred tax liabilities		-	-	-
Non-current provisions		-	-	-
Total non-current liabilities		**-**	**-**	**-**
Current liabilities				
Current lease liabilities		-	-	-
Trade and other payables		838	-	838
Intercompany payables		-	-	-
Public duties payable		415	-	415
Other current liabilities		2 098	-	2 098
Contract liabilities		-	-	-
Total current liabilities		**3 351**	**-**	**3 351**
Total liabilities		**3 351**	**-**	**3 351**
TOTAL EQUITY AND LIABILITIES		**42 108**	**-3 441**	**38 667**

A: The IFRS adjustment of NOK 3 441 reflects the fact that the research and development costs capitalised under NGAAP have not been determined to qualify for capiitalisation under IFRS (under the provisions of IAS 38 Intangible assets).

Reconciliation of total comprehensive income for 2020:

(NOK)	**Note**	**NGAAP**	**Effect of transition to IFRS**	**IFRS**
Revenue from sales		-	-	-
Government grants and other income		557	-	557
Total income		**557**	**-**	**557**
Cost of goods sold (COGS)		40	-	40
Gross margin		**517**	**-**	**517**
Salary and employee benefit expenses	A	5 682	1 608	7 290
Other operating expenses	B	887	3 441	4 328
Depreciation and amortisation		9	-	9
Impairment		-	-	-
Operating profit or loss		**-6 061**	**-5 049**	**-11 110**
Finance income		94	-	94
Finance costs		212	-	212
Profit or loss before tax		**-6 180**	**-5 049**	**-11 229**
Income tax expense		-	-	-
Profit or loss for the year		**-6 180**	**-5 049**	**-11 229**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		-35	-	-35
Total other comprehensive income for the year		**-35**	**-**	**-35**
Total comprehensive income for the year		**-6 215**	**-5 049**	**-11 264**

A: The IFRS adjustment of NOK 1,608k reflects the recognition of the share based payment arrangements as personnel costs under IFRS (in accordance with IFRS 2 Share-based payments).

B: The IFRS adjustment of NOK 3,441k reflects the expense recognition of research and development costs, see above.

None of the IFRS adjustments as discussed above had an impact on the Statement of Cash flows.

8.2 CHANGES IN IFRS AND NEW STANDARDS

STANDARDS ISSUED BUT NOT YET EFFECTIVE

No new standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are expected to have a significant impact on the financial statements.

Financial Statement
Desert Control AS

Statement of comprehensive income

For the years ended 31 December

Amounts in NOK	**Notes**	**2021**	**2020**
Revenue from sales		223	-
Other income		-	557
Total income		**223**	**557**
Cost of goods sold (COGS)		44	-96
Gross margin		**179**	**653**
Salary and employee benefit expenses	2.1	8 828	5 977
Other operating expenses	2.2	14 552	3 810
Depreciation and amortisation	3.1	304	9
Impairment	3.1	659	-
Operating profit or loss		**-24 163**	**-9 142**
Finance income	4.4	1 935	94
Finance costs	4.4	128	209
Profit or loss before tax		**-22 356**	**-9 258**
Income tax expense	5.1	-	-
Profit or loss for the year		**-22 356**	**-9 258**
Allocation of profit or loss:			
Profit/loss attributable to the parent		-22 356	-9 258
Other comprehensive income:			
Items that subsequently may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-	-
Total items that may be reclassified to profit or loss		-	-
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**-22 356**	**-9 258**
Allocation of total comprehensive income			
Total comprehensive income attributable to owners of the parent		-22 356	-9 258

Statement of financial position

Amounts in NOK	Notes	31.12.2021	31.12.2020	01.01.2020
ASSETS				
Non-current assets				
Property, plant and equipment	3.1	593	1 302	-
Investments in subsidiaries	6.1	6 480	6 586	6 409
Total non-current assets		**7 073**	**7 888**	**6 409**
Current assets				
Accounts receivable		544	-	-
Other receivables	2.3	3 752	1 825	40 361
Intercompany receivables		28 386	2 030	111
Other current financial assets	4.1	77 347	-	-
Cash and cash equivalents	4.3	96 100	28 935	534
Total current assets		**206 129**	**32 789**	**41 006**
TOTAL ASSETS		**213 202**	**40 677**	**47 415**
EQUITY AND LIABILITIES				
Equity				
Share capital		122	70	68
Share premium		230 849	40 994	43 537
Retained earnings		-24 972	-3 441	-
Total equity		**205 999**	**37 623**	**43 605**
Current liabilities				
Trade and other payables	2.4	1 614	800	2 552
Public duties payable	2.4	1 023	415	166
Other current liabilities	2.4	1 386	1 839	1 091
Contract liabilities	2.4	3 181	-	-
Total current liabilities		**7 203**	**3 054**	**3 810**
Total liabilities		**7 203**	**3 054**	**3 810**
TOTAL EQUITY AND LIABILITIES		**213 202**	**40 677**	**47 415**

The Board of Directors of Desert Control AS

Sandnes, Norway, 27 April 2022

Knut Nesse
Chair

Kristian P. Olesen
Member of the Board

Brage W. Johansen
Member of the Board

Arnfinn Matre
Member of the Board

Marit Røed Ødegaard
Member of the Board

Geir Hjellvik
Member of the Board

Ole Kristian Sivertsen
Chief Executive Officer

Statement of cash flows

For the years ended 31 December

Cash flows from operating activities (NOK)	Notes	2021	2020
Profit or loss before tax		**-22 356**	**-9 258**
Adjustments to reconcile profit before tax to net cash flows:			
Net financial income/expense	4.4	-1 807	116
Depreciation and impairment of property, plant and equipment	3.1	962	9
Share-based payment expense	4.5	811	1 608
Working capital adjustments:			
Changes in accounts receivable and other receivables		-28 828	36 618
Changes in trade, public duties and other payables		1 421	-1 503
Changes in other current liabilities and contract liabilities		2 728	747
Net cash flows from operating activities		**-47 069**	**28 337**
Cash flows from investing activities (NOK)			
Purchase of property, plant and equipment	3.1	-553	-1 311
Purchase of financial instruments	4.1	-77 009	-
Proceeds from sale of property, plant andequipment	3.1	300	-
Interest received		673	71
Net cash flow from investing activities		**-76 590**	**-1 240**
Cash flow from financing activities (NOK)			
Proceeds from issuance of equity	4.2	200 000	1 720
Transaction costs on issue of shares	4.2	-10 091	-52
Interest paid			1
Net cash flows from financing activities		**189 908**	**1 668**
Net increase/(decrease) in cash and cash equivalents		**66 250**	**28 765**
Cash and cash equivalents at beginning of the year/period	4.3	28 934	534
Net foreign exchange difference		916	-365
Cash and cash equivalents, end of year		**96 100**	**28 934**

Statement of changes in equity

Amounts in NOK	Share capital	Share premium	Cumulative translation differences	Retained earnings	Total equity
Balance at 1 January 2020	**68**	**43 537**		**-**	**43 605**
Profit (loss) for the year		-4 209		-5 049	-9 258
Issue of share capital (Note 4.5)	1	1 719			1 720
Transaction costs		-52			-52
Share based payments (Note 4.8)				1 608	1 608
Balance at 31 December 2020	**70**	**40 994**	**-**	**-3 441**	**37 623**
Profit (loss) for the year				-22 342	-22 342
Issue of share capital (Note 4.5)	53	199 947			200 000
Transaction costs		-10 091			-10 091
Share based payments (Note 4.8)				811	811
Balance at 31 December 2021	**122**	**230 850**	**-**	**-24 972**	**206 000**

Notes to the Desert Control AS parent company financial statements

1.1 SUMMARY OF IFRS ACCOUNTING PRINCIPLES

Significant accounting policies

These parent company financial statements should be read in connection with the Consolidated financial statements of Desert Control, published together with these financial statements. With the exception described below, Desert Control AS applies the accounting policies of the group, and reference is made to these notes for further details.

Subsidiaries

Shareholdings in subsidiaries are accounted for using the cost method. Investments in subsidiaries are tested for impairment following the same principles as the impairment testing of Property, plant and equipment in the financial statements of the Group. Dividends received from from subsidiaries are presented in Net financial income.

2.1 SALARY AND EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses	2021	2020
Salaries	8 621	5 146
Government grant	-2 367	-328
Social security costs	1 481	626
Pension costs	275	152
Other employee expenses	819	381
Total employee benefit expenses	**8 828**	**5 977**
Average number of full time employees (FTEs)	8.5	5.3

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

2.2 OPERATING EXPENSES

Other operating expenses	2021	2020
Audit and accounting fees	199	149
Consulting fees	146	-1
Legal expenses	1 130	-101
Travel expenses	1 514	89
Lease expenses	41	16
Research expenses	6 496	3 742
Government grant	-6 496	-785
Other operating expenses	11 522	702
Total other operating expenses	**14 552**	**3 810**

Auditor fees	2021	2020
Audit fee	83	60
Other services	88	5
Total remuneration to the auditor	**171**	**65**

Audit fee:
The amounts above are excluding VAT.

2.3 OTHER RECEIVABLES

Other receivables	31.12.2021	31.12.2020	01.01.2020
Other receivables	3 752	1 825	40 361
Total other receivables	**3 752**	**1 825**	**40 361**

* The balance at 1 January 2020 includes NOK 40 mill of claims for payment of unregistered share capital.
The credit loss allowance is insignificant.
For details regarding the Group's procedures on managing credit risk, reference is made to note 4.3.

2.4 TRADE AND OTHER PAYABLES

Trade and other payables	31.12.2021	31.12.2020	01.01.2020
Trade payables	1 614	800	2 552
Withholding payroll taxes and social security	1 023	415	166
Other current liabilities	1 386	1 839	1 091
Contract liabilities	3 181	-	-
Total trade and other payables	**7 203**	**3 054**	**3 810**

For trade and other payables ageing analysis, see note 4.2.

3.1 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Fixtures and fittings	Total
Cost as at 1 January 2020	**-**	**-**	**-**
Additions	1 106	206	1 311
Cost as at 31 December 2020	**1 106**	**206**	**1 311**
Additions	-	553	553
Disposals	-300	-	-300
Currency translation effects	-	-	-
Cost as at 31 December 2021	**806**	**759**	**1 565**
Depreciation and impairment as at 1 January 2020	**-**	**-**	**-**
Depreciation for the year	-	9	9
Depreciation and impairment as at 31 December 2020 -	**9**	**9**	
Depreciation for the year	161	143	304
Impairment for the year	644	14	659
Disposals	-	-	-
Currency translation effects	-	-	-
Depreciation and impairment as at 31 December 2021 806	**166**	**971**	
Net book value:			
At 01 January 2020	**-**	**-**	**-**
At 31 December 2020	**1 106**	**197**	**1 302**
At 31 December 2021	**0**	**593**	**593**
Economic life (years)	5	3	
Depreciation plan	Straight-line method	Straight-line method	

4.1 FINANCIAL INSTRUMENTS

31.12.2021	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.3	3 752		3 752
Other current financial assets*			77 347	77 347
Cash and cash equivalents	4.3	96 100		96 100
Total financial assets		**99 852**	**77 347**	**177 198**
Liabilities				
Trade and other payables	2.4	1 614		1 614
Total financial liabilities		**1 614**	**-**	**1 614**

31.12.2020	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.3	1 825		1 825
Cash and cash equivalents	4.3	28 935		28 935
Total financial assets		**30 759**	**-**	**30 759**
Liabilities				
Trade and other payables	2.4	800		800
Total financial liabilities		**800**	**-**	**800**

01.01.2020	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Total
Assets				
Other receivables	2.3	40 361		40 361
Other current financial assets*			-	-
Cash and cash equivalents	4.3	534		534
Total financial assets		**40 895**	**-**	**40 895**
Liabilities				
Trade and other payables	2.4	2 552		2 552
Total financial liabilities		**2 552**	**-**	**2 552**

* Other current financial assets consist of fixed income fund, managed by SKAGEN (47,210) and Storebrand (30,136).
The purpose of the investment is to generate returns on cash exceeding the interest rate on bank deposits.

There are no changes in classification and measurement for the Group's financial assets and liabilities.
Finance income and finance costs arising from the Group's financial instruments are disclosed separately in note 4.7.

4.2 EQUITY AND SHAREHOLDERS

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 1 January 2020	**22 681**	**3,00**	**68 043**
Share issue	497	3,00	1 491
At 31 December 2020	**23 178**	**3,00**	**69 534**
Share split 1:1 000	23 178 000	0,003	69 534
Share issue 22 February 2021	340 000	0,003	1 020
Share issue 9 April 2021	17 108 640	0,003	51 326
Share issue 6 August 2021	98 000	0,003	294
			-
At 31 December 2021	**40 724 640**	**0,003**	**122 174**

All shares are ordinary and have the same voting rights and rights to dividends.
Reconciliation of the company's equity is presented in the statement of changes in equity.

The Group's shareholders:

Shareholders in Desert Control AS at 31.12.2021	Total shares	Voting rights
Olesen Consult HVAC AS	5 900 000	14,5 %
J.P. Morgan Bank Luxembourg S.A.	1 761 720	4,3 %
Monsunen Forvaltning AS	1 754 715	4,3 %
Ole Morten Olesen	1 650 000	4,1 %
Beyond Centauri AS	1 543 371	3,8 %
Nordnet Livsforsikring AS	1 485 860	3,6 %
Nesse & Co AS	1 360 000	3,3 %
Lithinon AS	1 355 431	3,3 %
DnB NOR Bank ASA	1 266 087	3,1 %
LIN AS	1 215 275	3,0 %
Atle Idland	1 135 843	2,8 %
Jakob Hatteland Holding AS	1 000 000	2,5 %
CACEIS Bank	995 109	2,4 %
The Northern Trust Comp, London Br	958 275	2,4 %
Investore Finans AS	883 147	2,2 %
Clearstream Banking S.A.	819 671	2,0 %
JPMorgan Chase Bank, N.A. London	789 484	1,9 %
Sortun Invest AS	627 715	1,5 %
Glomar AS	627 715	1,5 %
OKS Consulting AS	560 000	1,4 %
Other shareholders	13 035 222	32,0 %
Total	**40 724 640**	**100,0 %**

Shares held by management or the Board at the end of the reporting periods are summarised in note 7.1 to the group financial statements.

4.3 CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020	01.01.2020
Bank deposits, unrestricted	95 479	28 696	431
Bank deposits, restricted	621	239	103
Total cash and cash equivalents	**96 100**	**28 935**	**534**

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

4.4 FINANCIAL INCOME AND EXPENSES

Finance income	2021	2020
Interest income	673	71
Other finance income	347	-
Gain on foreign exchange	915	22
Total finance income	**1 935**	**94**

Finance costs	2021	2020
Interest expenses	-	1
Loss on foreign exchange	128	209
Total finance costs	**128**	**209**

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on overdue payables, measured and classified at amortised cost in the statement of financial position.

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

4.5 SHARE BASED PAYMENTS

	2021 WAEP	2021 Number	2020 WAEP	2020 Number
Outstanding options 1 January	**0,003**	**1 000 000**	**0,003**	**600 000**
Options granted	0,003	0	0,003	600 000
Options forfeited	0,003	0	0,003	0
Options exercised	0,003	-450 000	0,003	-200 000
Outstanding options 31 December	**0,003**	**550 000**	**0,003**	**1 000 000**
Exercisable at 31 December		0		0

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 0.48 years (2020: 0.90 years).

The range of exercise prices for options outstanding at the end of the year was NOK 0.003 (2020: NOK 0.003).

The weighted average fair value of the shares at date of grant was 5.79. In the valuation, the share price at grant has been reduced by 58.9% for the shares subject to 5 year trading restrictions, 62.4% for the shares subject to 6 year trading restrictions and 65.3% for the shares subject to 7 year trading restrictions. (2020: NOK 2.66 reduced by the same discounts due to trading restrictions).

Assumptions used to determine fair value of share option grants:

	2021	2020
Weighted average fair values at the grant date	-	2.21
Dividend yield (%)	0	0
Expected volatility (%)	80	80
Risk–free interest rate (%)	1	1
Expected life of restricted shares (years)	5-7	5-7
Weighted average share price (NOK)	5.79	5.79
Model used	BSM	BSM

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. Share based payment valuations are considered level 3 measurements.

5.1 TAXES

Current income tax expense:	2021	2020
Tax payable	-	-
Adjustment for income tax payable for previous periods	-	-
Change deferred tax/deferred tax assets (ex. OCI effects)	-	-
Total income tax expense	**-**	**-**

Deferred tax assets:	31.12.2021	31.12.2020	01.01.2020
Property, plant and equipment	-779	-732	-
Right-of-use assets	-	-	-
Other current assets	-	-	-
Liabilities	-	-	-
Losses carried forward (including tax credit)	-20 206	-12 592	-
Basis for deferred tax assets:	**-20 985**	**-13 324**	**-**
Calculated deferred tax assets	-4 617	-2 931	-
	4 617	2 931	-
Net deferred tax assets in the statement of financial position	**-**	**-**	**-**
Deferred tax liabilities recognised in the statement of financial position	**-**	**-**	**-**

6.1 INTERESTS IN OTHER ENTITIES

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

Consolidated entities 31 December 2021	Office	Currency	Shareholding and the Group's voting ownership share	Date of consolidation
Desert Control Americas, Inc.	USA	USD	100%	31.12.2021
Desert Control Middle East FZ LLC	Abu Dhabi, UAE	AED	100%	31.12.2021
Desert Control Middle East LLC	Abu Dhabi, UAE	AED	49%*	31.12.2021

*Desert Control owns 49% of Desert Control Middle East LLC Abu Dahbi, with the remaining 51% being held by a local corporate sponsor due to local regulations requiring sponsorships. A shareholder agreement secures Desert Control 100% of any dividends and 100% of the controlling stake in Desert Control ME.

7.1 REMUNERATION TO MANAGEMENT AND THE BOARD

See note 7.1 to the group financial statement for an overview of remuneration to management and the Board of Directors

7.2 RELATED PARTY TRANSACTIONS

Related parties are major shareholders, members of the board and management in the parent company and the group subsidiaries. Note 6.1 and 4.5 provides information about the Group structure, including details of the subsidiaries and shareholders. Significant agreements and remuneration paid to management and the Board for the current and prior period is presented in note 7.1 to the group financial statements. Shares, share options held by management and the Board are also summarised in note 7.1.

All transactions within the Group or with other related parties are based on the principle of arm's length.

During 2021, Desert Control has bought engineering services amounting to NOK 446k from the board member Kristian P. Olesen and NOK 1,091k from the board member Arnfinn Matre.

In addition, there is an interest-bearing loan from Desert Control AS to Desert Control Middle East LLC amounting to NOK 25 million at December 31st 2021. The loan is set to be repaid within November 30th 2022.

At December 31st 2021, intercompany receivables amounts to NOK 443k payable from Desert Control Middle East LLC and NOK 3,402k payable from Desert Control Americas Inc, both payable to Desert Control AS.

7.3 EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICIES

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Adjusting events

N/A

Non-adjusting events

N/A

8.1 FIRST TIME ADOPTION OF IFRS

These financial statements, for the twelve months period ended 31 December 2021 are the first the company has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Accordingly, the company has prepared financial statements that comply with IFRSs together with comparative amounts for the period ended 31 December 2020, as described in the basis of preparation (Note 1.2 to the group financial statements). In preparing the financial statements, the company's opening statement of financial position was prepared as at 1 January 2020, the company's date of transition to IFRSs.

This note explains the principal adjustments made by the company when transitioning to IFRSs from its previous reporting framework; Generally Accepted Accounting Principles in Norway ("NGAAP") for small entities as of 1 January 2020, as well as for the period ended 31 December 2020.

Exemptions applied

Desert Control AS has not applied any of the exemptions from the retrospective application available to first-time adopters under IFRS 1.

Effect of transition to IFRS

The main differences recognised at the transition to IFRSs are adjustments to capitalisation and expensing in the recognition of research and development expenditures, recognition of share based payment as salary components. (Desert Control has no significant leasing arrangements with terms longer than 12 months, i.e. there has been no impact from IFRS 16 Leases.

Reconciliation of transitional effects

Reconciliation of equity and financial position as at 1 January 2020:

		01.01.2020		
ASSETS (NOK)	**Note**	**NGAAP IB 2020**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Investment in subsidiaries		6 409	-	6 409
Total non-current assets		**6 409**	**-**	**6 409**
Current assets				
Other receivables		40 361	-	40 361
Intercompany receivables		111	-	111
Cash and cash equivalents		534	-	534
Total current assets		**41 006**	**-**	**41 006**
TOTAL ASSETS		**47 415**	**-**	**47 415**
EQUITY AND LIABILITIES				
Equity				
Share capital		68	-	68
Share premium		43 537	-	43 537
Retained earnings		-	-	-
Total equity		**43 605**	**-**	**43 605**
Current liabilities				
Trade and other payables		2 552	-	2 552
Public duties payable		166	-	166
Other current liabilities		1 091	-	1 091
Total current liabilities		**3 810**	**-**	**3 810**
Total liabilities		**3 810**	**-**	**3 810**
TOTAL EQUITY AND LIABILITIES		**47 415**	**-**	**47 415**

There are no IFRS adjustments to the 1 January 2020 statement of financial position.

Reconciliation of equity and financial position as at 31 December 2020:

		31.12.2020		
ASSETS (NOK)	**Note**	**NGAAP**	**Effect of transition to IFRS**	**IFRS**
Non-current assets				
Research and development	A	3 441	-3 441	-
Property, plant and equipment		1 302	-	1 302
Investment in subsidiaries		6 586	-	6 586
Total non-current assets		**11 329**	**-3 441**	**7 888**
Current assets				
Other receivables		1 825	-	1 825
Intercompany receivables		2 030	-	2 030
Cash and cash equivalents		28 935	-	28 935
Total current assets		**32 789**	**-**	**32 789**
TOTAL ASSETS		**44 118**	**-3 441**	**40 677**
EQUITY AND LIABILITIES				
Equity				
Share capital		70	-	70
Share premium		40 994	-	40 994
Retained earnings	A	-	-3 441	-3 441
Total equity		**41 064**	**-3 441**	**37 623**
Current liabilities				
Trade and other payables		800	-	800
Public duties payable		415	-	415
Other current liabilities		1 839	-	1 839
Total current liabilities		**3 054**	**-**	**3 054**
Total liabilities		**3 054**	**-**	**3 054**
TOTAL EQUITY AND LIABILITIES		**44 118**	**-3 441**	**40 677**

A: The IFRS adjustment of NOK 3 441 reflects the fact that the research and development costs capitalised under NGAAP have not been determined to qualify for capiitalisation under IFRS (under the provisions of IAS 38 Intangible assets).

Reconciliation of total comprehensive income for 2020:

NOK	Note	NGAAP	Effect of transition to IFRS	IFRS
Revenue from sales		-	-	-
Government grants and other income		557	-	557
Total income		**557**	**-**	**557**
Cost of goods sold (COGS)		-96	-	-96
Gross margin		**653**	**-**	**653**
Salary and employee benefit expenses	A	4 369	1 608	5 977
Other operating expenses	B	369	3 441	3 810
Depreciation and amortisation		9	-	9
Impairment		-	-	-
Operating profit or loss		**-4 093**	**-5 049**	**-9 142**
Finance income		94	-	94
Finance costs		209	-	209
Profit or loss before tax		**-4 209**	**-5 049**	**-9 258**
Income tax expense		-	-	-
Profit or loss for the year		**-4 209**	**-5 049**	**-9 258**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		-	-	-
Total other comprehensive income for the year		**-**	**-**	**-**
Total comprehensive income for the year		**-4 209**	**-5 049**	**-9 258**

A: The IFRS adjustment of NOK 1,608k reflects the recognition of the share based payment arrangements as personnel costs under IFRS (in accordance with IFRS 2 Share-based payments).

B: The IFRS adjustment of NOK 3,441k reflects the expense recognition of research and development costs, see above.

None of the IFRS adjustments as discussed above had an impact on the Statement of Cash flows.

8.2 CHANGES IN IFRS AND NEW STANDARDS

Standards issued but not yet effective

No new standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are expected to have a significant impact on the financial statements.

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

The Board of Directors and the CEO have today considered and approved the report for Desert Control AS ("Company") and Desert Control Group ("Group") for the 2021 calendar year and as of 31 December 2021. The consolidated financial statements have been prepared in accordance with IFRS as well as additional information requirements as per the Norwegian Accounting Act.

The financial statements for the Company have been prepared in accordance with IFRS and additional information requirements as per the Norwegian Accounting Act.

We confirm to the best of our knowledge that:

- The 2021 financial statements for the Company and the Group have been prepared in accordance with applicable accounting standards
- The information in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and result as of 31 December 2021
- The report for the Company and the Group gives a true and fair view of the Company's and the Group's development, performance, and financial position, and includes a description of the principal risks and uncertainty factors facing the Company and the Group
- That the Board report for 2021 has been prepared in accordance with the Norwegian Accounting Act § 3-3d and the Norwegian Security Trading Act § 5-5a

The Board of Directors of Desert Control AS

Sandnes, Norway, 27 April 2022

Knut Nesse
Chair

Kristian P. Olesen
Member of the Board

Brage W. Johansen
Member of the Board

Arnfinn Matre
Member of the Board

Marit Røed Ødegaard
Member of the Board

Geir Hjellvik
Member of the Board

Ole Kristian Sivertsen
Chief Executive Officer

Auditors report

JærRevisjon
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To the Shareholders' Meeting of
DESERT CONTROL AS

Independent auditor`s report

Opinion

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

- The financial statements of the company, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements comply with applicable statutory requirements,
- The financial statements give a true and fair view of the financial position of the company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- The financial statements give a true and fair view of the financial position of the group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Other Information

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

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

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

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

Responsibilities of the management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Bryne, 27. April 2022
JærRevisjon AS

Lars Gøran Ulriksen
State Authorised Public Accountant

Our core values

Leadership
Inspirational pro-active execution

Growth-mindset
Curious and solution-oriented

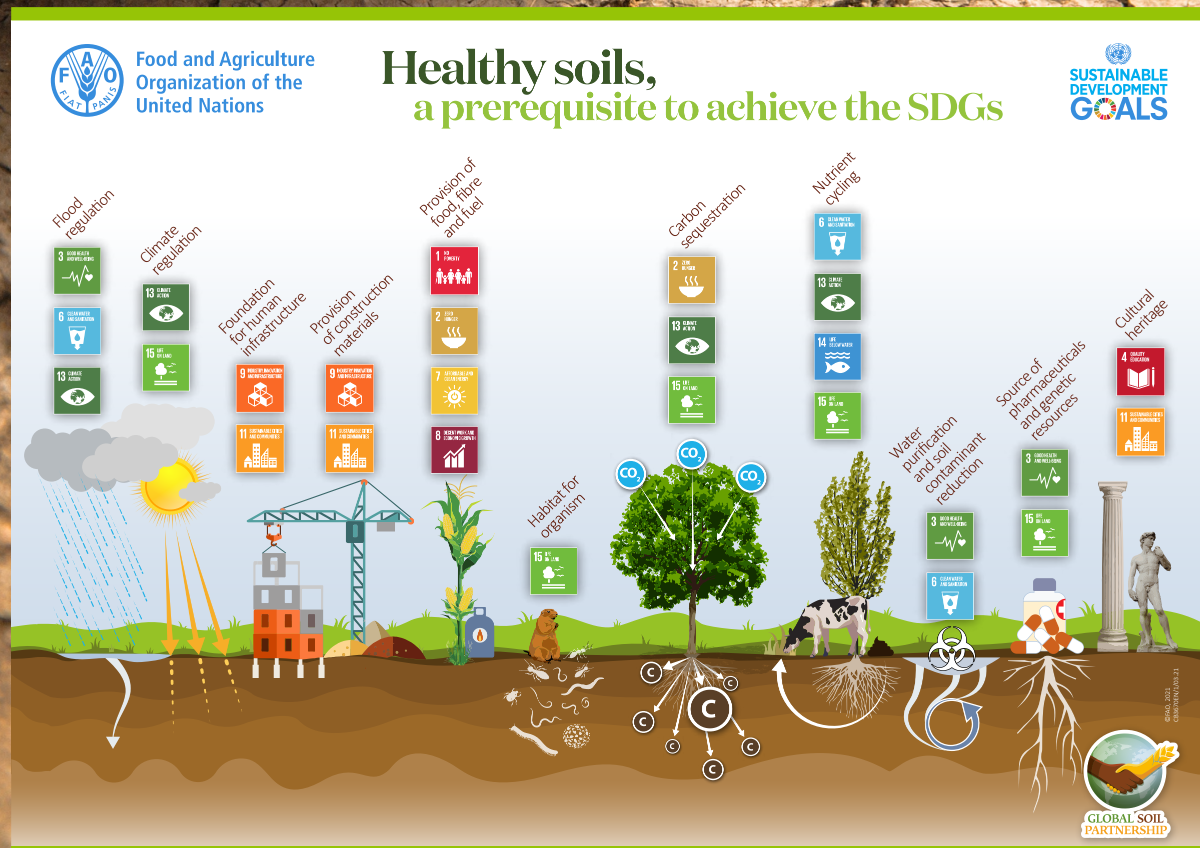
Innovation
Challenge status-quo | create value

Integrity
Keep promises | grow strong relationships

Contribution
Desire to make everything better

Diversity
Inclusive | open-minded | respectful

> *Healthy soil is the foundation for life on earth!*



Food and Agriculture Organization of the United Nations (FAO – website: www.fao.org/world-soil-day/en/)

Making Earth Green Again

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DESERT CONTROL