

## **Desert Control Announces Finalization of Strategic Review Process for the Middle East**

Sandnes, Norway, 3 July 2023 – Desert Control (DSRT) (the "Company") announces the conclusion of the strategic review process to change its business model for the Middle East as announced on 27 April 2023. The strategic review was initiated with the aim of optimizing long-term shareholder value and securing sustainable funding to strengthen the foundation to drive the Company's growth strategy. Today, the Company provides an update on the milestones achieved.

- 13 June 2023, the Company published an update on having received incoming interest from multiple parties related a potential change of the Company's business model to a royalty based licensing structure with local operators taking on the complete responsibility for production, sales, distribution, and implementation of LNC for the Middle East region. The Company further announced having signed non-binding letters of intent with selected parties with the intention to reach final agreements by around mid-year.
- 22 June 2023, the Company announced an agreement where Mawarid Holding Investment (MHI) acquires Desert Control's LNC production company in the UAE along with LNC production assets and Desert Control's shareholding in the Abu Dhabi based JV Mawarid Desert Control for \$1,8 million. MHI becomes Desert Control's exclusive licensed operator for the UAE with ambitions to expand across the Middle East region.
- 3 July 2023, the Company announced an agreement with Heart SA to become a licensed operator for Desert Control in the Kingdom of Saudi Arabia (KSA). Heart SA will acquire one LNC production cluster (4 mobile LNC production units) for \$1 million and anchor the strategic partnership by becoming a shareholder in Desert Control AS with an investment of \$1 million in a directed share issue at NOK 10,- per share.

### Key results of the Strategic Review include:

#### **1. Strengthened Liquidity through Partnership Agreements in the Middle East:**

The Company successfully expanded its strategic partnership with Mawarid Holding Investment in the United Arab Emirates (UAE), and further signed a new agreement with Heart SA to produce, sell, distribute, and implement Desert Control's Liquid Natural Clay (LNC) in the Kingdom of Saudi Arabia (KSA). This milestone results in an addition of approximately NOK 40 million in increased liquidity for Desert Control.

#### **2. Operational Cost Reduction from Transition to Royalty-Based Licensed Operator Model:**

The Company's shift to a licensed operator model, targeted for completion during H2 2023, aims to reduce monthly operational costs by approximately NOK 1.5 million. The transition also introduces a royalty-based revenue stream from Middle Eastern partners, providing a consistent source of income throughout the term of the licensing agreements.

#### **3. Stronger Foundation for Growth in the Middle East by New Partnership Model:**

The Company is confident that leveraging the local knowledge, networks, and capacity of dedicated operator partnerships will spur growth and momentum in the Middle East, facilitating enhanced commercialization and adoption of Desert Control's LNC technology.

#### **4. Enabling Accelerated Commercialization and Growth in the United States:**

The transition to a licensed operator model strengthens the Company's foundation, allowing for increased focus on innovation and global expansion. By unlocking cash and reducing operational costs in the Middle East, the Company can continue developing the region while shifting resources to accelerate commercialization in the United States and other markets.

#### **5. U.S. Update – Continued Progress and Steadfast Execution:**

The Company continues to make strides in the United States. With ten new pilot projects signed year to date, Desert Control is on track to reach its target of 20 pilot projects in the U.S. by year's end. The Company targets a >50% conversion rate to larger projects and aims for the first contract for full-scale deployment to be signed by the end of the year. The recent OMRI approval of Liquid Natural Clay (LNC) for use in compliance with the USDA National Organic Program also broadens the Company's market opportunities in the U.S.

In conclusion, the strategic review process has strengthened Desert Control's financial position, enabling the Company to minimize short-term dilutive capital raises while extending the financial runway. The Board of Directors are pleased with the outcome of the strategic review. A stronger financial position combined with an improved foundation to drive LNC adoption in the Middle East will allow the Company to accelerate its United States business, poising the Company for continued growth and creation of long-term shareholder value.

**For further inquiries, please contact:**

Ole Kristian Sivertsen  
President and Group CEO, Desert Control  
oks@desertcontrol.com

**About Desert Control:**

Desert Control specializes in climate-smart AgTech solutions to combat desertification, soil degradation, and water scarcity. Its patented Liquid Natural Clay (LNC) restores and enhances soil ecosystems to reduce water usage and improve the efficiency of fertilizers and natural resources for agriculture, forests, and green landscapes. LNC enables sandy and arid soil to retain water and nutrients, thus increasing crop yields, plant health, and ecosystem resilience while preserving water and natural resources by up to 50%.

For more about Desert Control, visit <https://www.desertcontrol.com>

**Important notice:**

This information is considered to be inside information pursuant to the EU Market Abuse Regulation (MAR) and is subject to the disclosure requirements pursuant to Section 5-12 the Norwegian Securities Trading Act. The stock exchange announcement was published by Marianne Vika Bøe, Chief Financial Officer of Desert Control AS, at the time and date stated above in this announcement.

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