

Desert Control enters into strategic agreement for Middle East operations

Sandnes, Norway, 22 June 2023

Desert Control AS (DSRT) ("**Company**") today announces that it, pursuant to the ongoing strategic review, has entered into agreements with Mawarid Holding Investment LLC and Mawarid International Investment LLC (jointly referred to as "**Mawarid**") to change its go-to-market and business model for the Middle East region by transitioning to a royalty-based licensed operator structure. The change of business model aims to unlock cash and reduce operating costs for Desert Control. The pivot towards a licensing model will leverage the capacity and reach of local operators in the Middle East while allowing Desert Control to dedicate additional resources to core business activities and driving accelerated commercialization in the United States and other markets.

"The transition to a licensed operator model with Mawarid allows us to focus our efforts on innovating our Liquid Natural Clay technology while enhancing our global reach. We believe that focusing on our core business and leveraging the reach of Mawarid will strengthen our position in the Middle East and accelerate commercialization in the United States and other markets," said Ole Kristian Sivertsen, President and Group CEO of Desert Control.

Desert Control's production of Liquid Natural Clay ("**LNC**") for the Middle East region is currently managed and operated by its wholly owned subsidiaries Desert Control Middle East LLC and Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC. Further, Desert Control holds a 49% shareholding of Mawarid Desert Control LLC. The majority 51% of Mawarid Desert Control LLC, is owned by Mawarid.

The Company has now entered into agreements pursuant to which Mawarid will acquire Desert Control's 49% ownership in Mawarid Desert Control LLC. Further, Mawarid will acquire Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC. In connection with the contemplated transaction, Mawarid will also acquire mobile LNC production units currently operated by Desert Control and enter into an exclusive royalty-based licensing agreement for the production, sales, and distribution of LNC in the United Arab Emirates ("**UAE**") and a general license to operate in additional countries in the Middle East and North Africa region (MENA).

"We are excited to accelerate the implementation of climate-smart practices and foster sustainable innovation in the region. Our investment as Desert Control's licensed operator for production, sales, and distribution of the LNC technology aligns with the UAE's national priorities and the upcoming COP28 agenda, tackling critical issues such as food security, water security, and climate change," said Kashif Shamsi, Group Chief Executive Officer at Mawarid Holding Investment.

Completion of the agreements is subject to customary terms and conditions, including certain public authorizations, all of which are expected to be met. Desert Control will, through the agreements, have taken an important leap towards restructuring its operations in the Middle East. The board of directors of Desert Control (the "**Board**") believes that it will be possible to implement the Company's vision in the Middle East more efficiently with the support and resources of its partners in the new structure. At the same time, shareholders of Desert Control will benefit from the value creation generated from royalty-based licensing. For the initial implementation of the agreements, a consideration of USD 1,800,000 will be payable to Desert Control in two tranches in relation to the transfer of the 49% ownership in Mawarid Desert Control LLC and the 100% ownership in Desert Control Liquid Natural Clay Manufacturing (Sole Proprietorship) LLC to Mawarid. During the term of the license period, Desert Control will receive a customary royalty payment calculated as a percentage of revenues.

The Board is pleased to have reached this stage in the strategic review. The review process continues as previously announced, aiming to optimize shareholder value and to support funding of the Company's long-term strategies as announced when Desert Control appointed Arctic Securities and Pareto Securities to explore strategic options available to the Company as reported on 27 April 2023.

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.

Disclaimer related to forward-looking statements

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "strategy", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict, and are beyond their control. Actual events may differ significantly from any anticipated development due to a number of factors, including without limitation, changes in public sector investment levels, changes in the general economic, political and market conditions in the markets in which the Company operates, the Company's ability to attract, retain and motivate qualified personnel, changes in the Company's ability to engage in commercially acceptable acquisitions and strategic investments, and changes in laws and regulation and the potential impact of legal proceedings and actions. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not make any guarantee that the assumptions underlying the forward-looking statements in this announcement are free from errors nor does it accept any responsibility for the future accuracy of the opinions expressed in this announcement or any obligation to update or revise the statements in this announcement to reflect subsequent events. You should not place undue reliance on the forward-looking statements in this announcement.

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