

First Quarter Report 2019

Highlights of the first quarter 2019

- In an EGM held on January 25, Thomas Christensen was elected as new Chairman of the Company's Board of Directors. The same EGM further elected Plus Revisjon AS as new auditors for the company.
- On 22 February Element and ABO agreed to amend the third tranche of the Convertible Note Facility, splitting tranche 3 into several sub-tranches. The first sub-tranche was in the amount of MNOK 20, the subsequent tranches will be in the amount of MNOK 5-15. The remaining sub-tranches may be called by Element or ABO subject to a 20 trading day cool down period between each tranche.
- On March 18 the Company made a drawdown of the first sub-tranche under Tranche 3 of the ABO facility in the amount of NOK 20,000,000, and concurrently issued 10,000,000 warrants to the ABO.
- On March 31 the company announced that the Board had decided not to exercise the option to increase Element's indirect holding in CMT.
- During Q1 2019 ABO converted NOK 2.7 million of Tranche 3 to shares in Element ASA at a conversion price of NOK 0.30 per share.

Subsequent events

- On April 24 an Extraordinary General Meeting approved the Board's recommendation to perform a reverse split of the Element share at a ratio of 20:1 with a new face value of NOK 1.6/share, effective on April 25, 2019.
- In April 2019 ABO converted a total of NOK 2.8 million of Tranche 3 to shares in Element ASA at a conversion price of NOK 0.20 per share.
- So far in May 2019 ABO has converted a total of NOK 2.0 million of Tranche 3 to shares in Element ASA at a conversion price of NOK 3.30 per share.

Financials

(All numbers in brackets refer to comparable 2018 figures; profit and loss related figures compares to same period 2018 while balance sheet figures compare to figures as at 31 December 2018).

Operating losses for the quarter amount to USD -0.9 million (-0.7m), where USD -0.2 million (-0.2m) relates to employee cost.

Net financial cost for the quarter equals USD -2.5 million (-0.1m) where USD -0.8 million relates to calculated warrants cost (none cash) and USD -0.4 million represents cash cost for availability fee for the same facility. USD -1.1 million relates to write down of the call option in Osead Fund (with indirect ownership in CMT).

Net loss after-tax amount to USD -3.6 million for the quarter (USD -0.9 million).

Element made a drawdown of the first sub-tranche in the amount of NOK 20 million under the convertible ABO facility's third main tranche during the quarter. ABO has converted NOK 2.7 million to 8.99 million ELE shares during the quarter. Element has recognized a convertible

debt of total NOK 17,3 million (USD 2.0 million) in the balance sheet at the end of the quarter to account for the part of the NOK 20 million sub tranche which has not yet been converted to shares by ABO.

At 31st March 2019, cash and cash equivalents amounted to USD 1.8 million (USD 1.9 million).

Total assets at the end of the quarter equals USD 18.3 million (19.6m). The activities in Philippines continue to be accounted for as assets held for sale with a total asset value of USD 5.8 million (5.7m) at the end of the quarter.

Total equity at the end of quarter is USD 13.5 million (16.5) with an equity ratio of 74%.

Review of project portfolio

The strategy of Element is to identify undervalued projects, closing in on cash flow, where infrastructure and other basic work preferably has been completed to a large extent. The company's special focus is linked to projects within new, and preferably ground-breaking technology, within its niches.

AMBERSHAW METALLICS INC - CANADA

AMI is a Canadian metals and mining company which holds rights to an Iron ore deposit in NW Ontario, Canada. AMI is controlled by Legacy Hill Resources (LHR). Element today holds 26,7% of the shares in AMI and has additionally provided convertible loan to AMI for a total amount of USD 4.85m. The convertible loan combined with a share swap agreement between Element and LHR, can bring Element's stake in AMI to 51% by 31 December 2020.

AMI is currently working towards obtaining an Advanced Exploration Permit (AdEx) for the Bending Lake magnetite ore deposit in Canada. The permit is expected to be granted in July 2019 unless the authorities ask for additional information to be submitted, which could reset the statutory review period of 45 days that the authorities have for the approval processing time.

The AdEx, once approved, is expected to allow for up to 100 000 tons of ore. However, the final volume of ore to be mined under the AdEx is yet to be determined and will depend on the availability of a suitable processing alternative for the ore as well as demand from potential off-takers of the pellets. Research on ore processing alternatives for the AdEx operation has been carried out in parallel to the AdEx permit application process and is still ongoing.

With Mr.Ostrop, the new COO in place in AMI and Element having appointed a member to the board of AMI, the company together with Legacy Hill continue to evaluate the best way forward for bringing the mine into production.

OCEAD FUND - INDIRECT OWNERSHIP IN CMT

Element owns 396 fund units in Osead fund, Luxembourg which equals 3.96% of total units in the fund. The Osead fund indirectly controls 37% of the outstanding shares in CMT. Element further has had an option to acquire up to 50% of the fund units in Osead fund for a price of approx. EUR 27,5m. CMT is the second largest mining company in Morocco founded in 1974, listed on the Casablanca Stock Exchange and specializing in the exploration, extraction and processing of base metal, precious metal and industrial metal ores.

On March 31 the company announced that the Board had decided not to exercise the option to increase Element's indirect holding in CMT. The rationale for the decision rests on the fact that Element with its current balance sheet and share price, will not be able to finance this

transaction on terms that would benefit the shareholders of Element ASA. The company further announced that it will consider selling the 396 fund units in Osead Fund.

MINDORO NICKEL PROJECT – THE PHILIPPINES

Mindoro Nickel is a nickel-laterite deposit, which was discovered by Element in 1996. Since 31 December 2015, Element's primary focus has been to realize the value in the Mindoro Nickel Project through a sale of the asset or a strategic partnership.

The political and regulatory regime in the Philippines continues to be a challenge for the company. Following sampling of 250 tons of nickel ore, a Cease and Desist Order (stop work order) from the Office of the Provincial Governor in Oriental Mindoro was received in April 2019. The company is assessing its options, at the advice of local counsel, with regards to filing an injunction to seek relief from the Order during the second quarter of 2019, to enable the continuation of the sampling of the remaining 250 tons of nickel ore for which approval from the Philippine central government was obtained in August 2018.

The company is also considering the possibility to apply for a Mineral Ore Export Permit for the shipment and export of the 250 tons of nickel ore already excavated, with the aim to conduct a pilot processing of the 250 tons sample during the second half of 2019.

Currently there is no ongoing sampling activity by the company on Mindoro.

TOKEN/DIGITAL PROJECT

During Q1 the company has progressed the re-assessment of its digital initiatives. Several alternatives are being considered however no conclusion has been made. The company plans to present the conclusion of the assessment at the element Capital Market Day on June 6, 2019.

THE ABO FACILITY

At the time of this report the company has drawn NOK 20 million out of the 50 million available under tranche 3. Of the 20 million drawn, ABO has converted NOK 7.5 million to shares, thus NOK 12.5 million remains to be converted to shares by ABO. By doing the reverse share split in April 2019, the company reduced the effect of ABO's right to round off the conversion price to the first decimal of the share price and thereby reducing the dilution effect from the conversion on the shareholders.

Outlook

Element will continue to look for interesting investment opportunities in the coming quarters and will continue to look for exit options in the Philippines. The convertible bond facility with ABO continues to be Element's main source of funds, however the company will be assessing alternative sources of funds.

Responsibility statement

We confirm to the best of our belief that the financial statements for the fourth quarter of 2019, which have been prepared in accordance with IAS 34 – Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation.

Oslo, 24 May 2019, Board of Directors, Element ASA

Mona Lynne Eitzen
Board Member

Thomas Christensen
Chairman

Frode Aschim
Board Member

Kari Mette Toverud
Board Member

Cecilie Grue
CEO

Interim consolidated statement of profit and loss and other comprehensive income

(USD '000)	Note	First quarter		Year to date		Year end
		3/31/2019	3/31/2018	3/31/2019	3/31/2018	12/31/2018
Net income/loss from equity acct. investments		-	-	-	-	0
Exploration and evaluation costs		-	-4	-	-4	-3
Salary and social security cost		-247	-154	-247	-154	-1,228
Other operating expenses		-637	-505	-637	-505	-2,571
Operating loss		-884	-663	-884	-663	-3,801
Financial income		13	17	13	17	209
Financial costs		-2,505	-35	-2,505	-35	-9,084
Equity accounted investments	3	-	-36	-	-36	-391
Net financial items		-2,492	-54	-2,492	-54	-9,266
Loss before tax		-3,376	-716	-3,376	-716	-13,068
Income Taxes		-	-	-	-	-
Loss after tax		-3,376	-716	-3,376	-716	-13,068
Loss discontinued operations, after tax	7	-240	-145	-240	-145	-854
Loss for the		-3,616	-861	-3,616	-861	-13,922
Basic and diluted earnings per share		-0.03	-0.01	-0.15	-0.01	-0.15
Basic and diluted earnings per share -		-0.02	-0.01	-0.14	-0.01	-0.14
Basic and diluted earnings per share -		-0.00	-	-0.01	-	-0.01
Other comprehensive income:						
Items that will be reclassified to income						
Currency translation adjustments		-11	-102	1,351	-102	1,351
Other comprehensive income		-11	-102	1,351	-102	1,351
Total comprehensive income		-3,627	-963	-2,265	-963	-12,570
Total comprehensive income		-3,627	-963	-2,265	-963	-12,570

Interim consolidated statement of financial position

<i>(USD '000)</i>	Note	First quarter 3/31/2019	Year End 12/31/2018
ASSETS			
Property, plant and equipment		9	10
Equity accounted investments	3	3,060	3,060
Total non-current assets		3,069	3,070
Financial investments	4	6,100	7,252
Other receivables	4	1,548	1,632
Cash and cash equivalents	5	1,800	1,878
Total current assets		9,448	10,762
Assets classified as held for sale	7	5,828	5,718
Assets classified as held for sale		5,828	5,718
TOTAL ASSETS		18,345	19,550
EQUITY			
Share capital		1,313	1,229
Other paid-in-capital		93,623	93,392
Cumulative translation adjustments		11,850	11,861
Other equity		-93,245	-89,975
Total equity		13,541	16,507
LIABILITIES			
Other long term liabilities		-	-
Total long term liabilities		-	-
Trade payables		134	261
Derivatives	4	-	-
Convertible notes		2,012	-
Other current liabilities		464	563
Total current liabilities		2,610	824
Liabilities associated with assets classified as held for sale	7	2,194	2,219
Liabilities associated with assets classified as held for sale		2,194	2,219
TOTAL EQUITY AND LIABILITIES		18,345	19,550

Interim consolidated statement of cash flow

(USD '000)	First quarter		Year to date		Year end
	3/31/2019	3/31/2018	3/31/2019	3/31/2018	12/31/2018
Profit/-loss for the year, continued operations	-3,375	-716	-3,375	-716	-13,068
Profit/-loss for the year, discontinued operations	-240	-145	-240	-145	-854
Operating activities					
Depreciation	1	2	1	2	-
Non-cash expenses related to options and warrants	-	2,004	1,486	2,004	7,660
Change in trade and other receivables	84	-23	84	-23	-666
Change in trade payables and other current liabilities	162	1,206	162	1,206	-646
Warrants and impairment	1,486	-	-	-	-
Change in assets held for sale	-31	77	-31	77	296
Cash flow from operating activities	-1,913	2,405	-1,913	2,405	-7,278
Investment activities					
Net expenditure on property, plant and equipment	-	-	-	-	-8
Equity accounted investments	-	-2,987	-	-2,987	-2,915
Investment in other financial assets	-	1,153	-	1,153	-6,708
Cash flow from investment activities	-	-1,834	-	-1,834	-9,631
Financing activities					
Proceeds from new shares issued	315	841	315	841	15,230
Repurchase of shares	-	-	-	-	-253
Proceeds from borrowings	1,624	-	1,624	-	-
Cash flow from financing activities	1,939	841	1,939	841	14,977
Net change in cash and cash equivalents	26	1,412	26	1,412	-1,932
Cash and cash equivalents at the start of the period	2,127	2,708	2,127	2,708	2,708
Sum translation effects	-	-102	-	-102	1,351
Cash and cash equivalents at the end of the period for cont. and disc. Operations	2,153	4,018	2,153	4,018	2,127

Interim consolidated statement of changes in equity

<i>(USD '000)</i>	<i>Note</i>	<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Cumulative translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2018		643	79,000	10,510	-16,786	-66,927	6,440
Loss for the period					-13,068	-854	-13,922
Other comprehensive income				1,351			1,351
Total comprehensive income				1,351	-13,068	-854	-12,570
Capital increase		597	14,634		-		15,231
Repurchase of shares		-11	-242		-		-253
Share options cost					6,916		6,916
Converted warrants					744		744
Total transactions with owners		586	14,392		7,659		22,637
Equity 31 December 2018		1,229	93,392	11,861	-22,194	-67,781	16,507
<i>(USD 1 000)</i>		<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Cumulative translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2019		1,229	93,392	11,861	-22,194	-67,781	16,507
Loss for the period					-3,376	-240	-3,616
Other comprehensive income				-11			-11
Total comprehensive income		-	-	-11	-3,376	-240	-3,627
Capital increase		84	231		33		348
Repurchase of shares					-		-
Share options cost					313		313
Converted warrants					-		-
Total transactions with owners		84	231	-	346	-	661
Equity 31 March 2019		1,313	93,623	11,850	-25,224	-68,021	13,541

Notes to the interim consolidated financial statements

1 Information about the Group

Element ASA is a public limited liability company incorporated and domiciled in Norway. The Group's office address is Karenslyst Allé 53, 0279 Oslo, Norway. The Group's shares are listed on the Oslo Stock Exchange.

As at the date of this report, the Group's main activity is to identify assets close to or in production for investment.

2 Basis for preparation and changes to the Group's accounting policies

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, 'Interim financial reporting'.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

ACCOUNTING PRINCIPLES

The same accounting principles and methods of calculation have been applied as in the Annual Report for 2017. Future effects of new accounting standards were described in the Consolidated Financial Statements for 2017.

ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

3 Investments accounted for using the equity method

<i>(USD '000)</i>	First quarter		Year to date		Year end
	3/31/2019	3/31/2018	3/31/2019	3/31/2018	12/31/2018
Opening balance	3,060	428	3,060	428	428
Net income/(loss) from equity accounted investments		-36	-	-36	-391
Acquisitions and increase in paid in capital		3,023	-	3,023	3,023
Dividend and other distributions		-	-	-	
Other comprehensive income/(loss)		-		-	
Divestments, derecognition and decrease in paid in capital		-		-	
Ending balance	3,060	3,415	3,060	3,415	3,060

4 Financial assets and liabilities

FINANCIAL ASSETS AND LIABILITIES	First quarter	Year End
USD ('000)	3/31/2019	12/31/2018
Convertible loan notes	5,034	5,034
Derivatives	-	1,132
Investments in fund units	1,066	1,086
Cash and cash equivalents	1,800	1,878
Total financial assets	7,900	9,130
Convertible notes	-2,012	-
Trade payables	-134	-182
Total financial liabilities	-2,146	-721

FAIR VALUES	First quarter		Year end	
	Carrying amount	Fair value	Carrying amount	Fair value
USD ('000)				
Convertible loan notes	5,034	5,034	1,132	1,132
Derivatives	-	-	1,086	1,086
Investments in fund units	1,066	1,066	1,878	1,878
Cash and cash equivalents	1,800	1,800	9,130	9,130
Total financial assets	7,900	7,900	13,226	13,226
Convertible notes	-2,012	-2,012	-	-
Trade payables	-134	-134	-182	-182
Total financial liabilities	-2,146	-2,146	-182	-182

FAIR VALUE HIERARCHY	Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
USD ('000)				
Assets measured at fair value				
Convertible loan notes	3/31/2019	-	-	5,034
Derivatives	3/31/2019	-	-	-
Investments in fund units	3/31/2019	-	1,066	-
Liabilities measured at fair value				
Convertible notes	3/31/2019	-	-	-
Derivatives	3/31/2019	-	-	-

USD ('000)	Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value				
Convertible loan notes	12/31/2018	-	-	5,034
Derivatives	12/31/2018	-	1,132	-
Investment in fund units	12/31/2018	-	1,086	-
Liabilities measured at fair value				
Derivatives	12/31/2018	-	-	-

LIABILITIES ARISING FROM FINANCING ACTIVITIES	First quarter	Change in fair value	Year End
USD ('000)	3/31/2019	12/31/2018	
Convertible notes	-	-	-
Derivatives	-721	-	-
Total Liabilities arising from financing activities	-721	-	-

5 Cash and cash equivalents

	First quarter	Year end
(USD '000)	12/31/2018	12/31/2018
Cash and bank deposits	1,781	1,494
Restricted bank deposits	19	384
Total cash and cash equivalents in the statement of financial position	1,800	1,878
Cash and cash equivalents related to discontinued operations	353	250
Cash and cash equivalents in the statements of cash flow	2,153	2,128

6 Related party disclosures

Name	Position	Shares	Options	CFDs
Thomas Christensen	Chairman of the board		1,000,000	
Frode Aschim	Member of the board	228,142	360,000	-
Mona Lynne Eitzen	Member of the board	87,587	360,000	-
Kari Mette Toverud	Member of the board	48,240	360,000	
Cecilie Grue	CEO	218,240	1,300,000	-
Hans Ola Haavelsrud	COO		500,000	
Total		582,209	2,880,000	-

Number of shares calculated prior to reverse share split at 20:1 performed in Q2.

The shares controlled by Mr. Frode Aschim are held by Hannibal AS, a company owned by persons closely related to Mr. Frode Aschim

7 Discontinued operations

(USD '000)	First quarter		Year to date		Year end
	3/31/2019	3/31/2018	3/31/2019	3/31/2018	12/31/2018
Other Revenue	-	-	-	-	-
Exploration and evaluation costs	-28	-18	-28	-18	-20
Salary and social security cost	-89	-80	-89	-80	-340
Other Operating expenses	-123	-48	-123	-48	-325
Operating loss	-240	-147	-240	-147	-686
Financial income		2		2	
Financial costs	-	-	-	-	-
Net financial items	-	-	-	-	-
Loss before tax	-240	-147	-240	-147	-686
Deferred tax	-	-	-	-	-168
Loss after tax	-240	-147	-240	-147	-854
Loss for the	-240	-147	-240	-147	-854

(USD '000)	First quarter	Year End
	3/31/2019	12/31/2018
ASSETS		
Exploration and evaluation assets	5,327	5,328
Property, plant and equipment	5	5
Total non-current assets	5,332	5,333
Other receivables	60	52
Other financial assets	83	83
Cash and cash equivalents	353	250
Total current assets	496	385
TOTAL ASSETS	5,828	5,718
LIABILITIES		
Deferred tax	195	195
Other long term liabilities	0	0
Total long term liabilities	195	195
Trade payables	175	182
Other current liabilities	1,825	1,842
Total current liabilities	2,000	2,024
TOTAL LIABILITIES	2,195	2,219

Reporting calendar

Annual General Meeting 28.06.2019

Financial reporting 2019

Quarterly Report – Q2 30.08.2019

Quarterly Report – Q3 29.11.2019

Quarterly Report – Q4 28.02.2020

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