

element

Fourth Quarter Report 2018

Highlights of the fourth quarter 2018

- Commenced work with sampling of 500 tons of mineralised ore from the Mindoro nickel deposit.
- The second tranche of NOK 50m under the Convertible Bond facility was settled in early October.
- On November 30 the Company announced that it had hired Geir Johansen as Interim CFO
- On December 12, Mr Beitnes decided to step down as Chairman of the Board of Directors.
- On December 27, Mr. Thomas Christensen was nominated as new Chairman of the Board of Directors.

Subsequent events

- In an EGF held on January 25, Thomas Christensen was elected as new Chairman of the Company's Board of Directors. The same EGF 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 will be 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.

Financials

(All numbers in brackets refer to comparable 2017 figures; profit and loss related figures compares to same period 2017 while balance sheet figures compare to figures as at 31 December 2017).

	Fourth quarter		Year to date		Year end
	12/31/2018	12/31/2017	12/31/2018	31.2017	31.12.2017
(USD '000)					
Loss from continuing operations	-5,043	-1,968	-13,068	-3,277	-3,277
Loss from discontinued operations	-401	-98	-854	-643	-643
Loss for the period	-5,444	-2,066	-13,922	-3,920	-3,920

Operating losses for the quarter amount to USD -1.2 million (-1.0m), where USD -0.5 million (-0.3m) relates to employee cost.

Net financial cost for the quarter equals USD -3.9 million (-1.0m) where USD -2.1 million relates to calculated warrants cost for the second tranche of the ABO facility and USD -1.0 million represents cash cost for availability fee for the same facility.

Net loss after-tax amount to USD -5.4 million for the quarter (USD -2.1 million).

Element made a drawdown of the second tranche of NOK 50 million under the convertible ABO facility during the quarter. ABO converted the entire amount to 34.2 million ELE shares during the quarter, and Element has no

interest-bearing debt on the balance sheet at the end of the year.

At 31st December 2018, cash and cash equivalents amounted to USD 1.9 million (USD 2.6 million).

Total assets at the end of the quarter equals USD 19.6 million (10.1m). The activities in Philippines continue to be accounted for as assets held for sale with a total asset value of USD 5.7 million (5.8m) at the end of the quarter.

Total equity at the end of quarter is USD 16.5 million (6.4) with an equity ratio of 84%.

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 Q2-2019, at which time AMI aims to commence drilling to recover a 100,000-ton bulk sample. In preparation for extracting the bulk sample, AMI commenced clearing of vegetation and road-work at site during Q1-19.

AMI recently hired Franz-Georg Ostrop as COO to steer the company through the developing stage of the Bending Lake project and bring the mine into production. Mr. Ostrop has 27 years of international experience from the mining industry, having worked for companies including Kinross, Cameco, DBE and Rheinbraun AG, in Canada, Russia, Germany, among other locations.

Hans Ola Haavelsrud, COO of Element was appointed to AMI's board of directors in February 2019.

OCEAD FUND - 37% STAKE IN COMPAGNIE MINIÈRE DE TOUISSIT SA (CMT) – MOROCCO

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. 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.

Element has an option to acquire up to 50% of the fund units in Osead fund. The purchase price for achieving a 50% ownership of the Osead fund is approximately EUR 27,5m. At the time of entering in to the letter of intent, the share price of CMT was MAD 1800 (EUR 162) per share, while share price at the end of 2018 was MAD 1297 (EUR 120) per share. A portion of the option to buy, must be utilized no later than 30.06.2019 and failing to do so will see the entire option agreement lapse.

MINDORO NICKEL PROJECT – THE PHILIPPINES

Mindoro Nickel is a nickel-laterite deposit, which was discovered by Element in 1996. It is one of the largest undeveloped nickel deposits in the world. 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. As of today, this strategy remains unchanged, but the company is also exploring alternative value creation alternatives.

Element is currently exploring a new mining technology called CRSM, which is a low energy consumption, low opex- and capex technology. The CRSM technology has previously been confirmed in lab tests as applicable to the Mindoro deposit. Element is currently extracting a 500 metric ton sample from the deposit to be used in a small scale "proof of concept" production in China. Sampling of the said 500 tons is scheduled to be completed within May 15, 2019, with conclusion regarding the feasibility of the CRSM technology for the Mindoro deposit available by February 2020.

Element expects an increased interest from potential investors in the Mindoro deposit if the CRSM technology is proven to be applicable and effective on the sample, and the company continues to have a pragmatic approach to realization of the asset through divestment or other means.

TOKEN PROJECT

As announced in the Third Quarter report the company has decided to postpone a contemplated token launch until the company has completed a renewed verification of legal- regulatory- and IFRS requirements for such a launch. Currently the company plans for completion of the review by ultimo Q2 2019.

Outlook

Element will continue to look for interesting investment opportunities within the mining and mineral space in the coming quarters, and the convertible bond facility with ABO continues to be Element's main source of funds.

Responsibility statement

We confirm to the best of our belief that the financial statements for the fourth quarter of 2018, 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, 28 February 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	Fourth quarter		Year to date		Year end
		12/31/2018	12/31/2017	12/31/2018	12/31/2017	31.12.2017
Net income/loss from equity acct. investments		0	-	0	-	-
Exploration and evaluation costs		-0	-	-3	-3	-3
Salary and social security cost		-483	-264	-1,228	-482	-482
Other operating expenses		-671	-700	-2,571	-1,520	-1,520
Operating loss		-1,153	-964	-3,801	-2,005	-2,005
Financial income		89	53	209	53	53
Financial costs		-3,785	-1,047	-9,084	-1,315	-1,315
Equity accounted investments	3	-193	-10	-391	-10	-10
Net financial items		-3,889	-1,004	-9,266	-1,272	-1,272
Loss before tax		-5,043	-1,968	-13,068	-3,277	-3,277
Income Taxes		-	-	-	-	-
Loss after tax		-5,043	-1,968	-13,068	-3,277	-3,277
Loss discontinued operations, after tax	7	-401	-98	-854	-643	-643
Loss for the period		-5,444	-2,066	-13,922	-3,920	-3,920
Basic and diluted earnings per share		-0.05	-0.04	-0.15	-0.09	-0.09
Basic and diluted earnings per share - continued operations		-0.04	-0.04	-0.14	-0.05	-0.05
Basic and diluted earnings per share - discontinued operations		-0.00	-0.01	-0.01	-0.03	-0.03
Other comprehensive income:						
Items that will be reclassified to income statement						
Currency translation adjustments		1,225	121	1,351	21	21
Other comprehensive income		1,225	121	1,351	21	21
Total comprehensive income		-4,219	-1,945	-12,570	-3,899	-3,899
Total comprehensive income attributable to Element shareholders		-4,219	-1,945	-12,570	-3,899	-3,899

Interim consolidated statement of financial position

<i>(USD '000)</i>	Note	Fourth quarter 12/31/2018	Year End 31.12.2017
ASSETS			
Property, plant and equipment		10	3
Equity accounted investments	3	3,060	428
Total non-current assets		3,070	432
Financial investments	4	7,252	1,153
Other receivables	4	1,632	74
Cash and cash equivalents	5	1,878	2,619
Total current assets		10,762	3,845
Assets classified as held for sale	7	5,718	5,837
Assets classified as held for sale		5,718	5,837
TOTAL ASSETS		19,550	10,114
EQUITY			
Share capital		1,229	643
Other paid-in-capital		93,392	79,000
Cumulative translation adjustments		11,861	10,510
Other equity		-89,975	-83,713
Total equity		16,507	6,440
LIABILITIES			
Other long term liabilities		-	-
Total long term liabilities		-	-
Trade payables		261	247
Derivatives	4	-	721
Convertible notes		-	-
Other current liabilities		563	502
Total current liabilities		824	1,470
Liabilities associated with assets classified as held for sale	7	2,219	2,204
Liabilities associated with assets classified as held for sale		2,219	2,204
TOTAL EQUITY AND LIABILITIES		19,550	10,114

Interim consolidated statement of cash flow

	Fourth quarter	Year to date		Year end
<i>(USD '000)</i>	12/31/2018	12/31/2018	12/31/2017	31.12.2017
Profit/-loss for the year, continued operations	-5,042	-13,068	-3,277	-3,277
Profit/-loss for the year, discontinued operations	-401	-854	-643	-643
Operating activities				
Depreciation	-	-	6	6
Non-cash expenses related to options and warrants	640	7,660	369	369
Change in trade and other receivables	2,194	-666	-47	-47
Change in trade payables and other current liabilities	-2,254	-646	1,243	1,243
Changes in other long term liabilities	-	-	-317	-317
Change in assets held for sale	277	296	-70	-70
Cash flow from operating activities	-4,586	-7,278	-2,736	-2,736
Investment activities				
Net expenditure on property, plant and equipment	-	-8	-	-
Equity accounted investments	-	-2,915	-438	-438
Investment in other financial assets	-	-6,708	-961	-961
Cash flow from investment activities	-	-9,631	-1,399	-1,399
Financing activities				
Proceeds from new shares issued	5,086	15,230	6,009	6,009
Repurchase of own shares	-253	-253	-	-
Cash flow from financing activities	4,833	14,977	6,009	6,009
Net change in cash and cash equivalents	247	-1,932	1,874	1,874
Cash and cash equivalents at the start of the period	655	2,708	834	834
Sum translation effects	1,225	1,351	-	-
Cash and cash equivalents at the end of the period for cont. and disc. Operations	2,127	2,127	2,708	2,708

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>translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2017		339	69,599	14,015	-13,243	-66,757	3,953
Loss for the period		-	-	-	-3,920	-	-3,920
Other comprehensive income		20	3,676	-3,505	-	-170	21
Total comprehensive income		20	3,676	-3,505	-3,920	-170	-3,899
Capital increase		284	5,725	-	-	-	6,009
Share options cost		-	-	-	145	-	145
Converted warrants		-	-	-	232	-	232
Total transactions with owners		284	5,725	-	377	-	6,386
Equity 31 December 2017		643	79,000	10,510	-16,786	-66,927	6,440
<i>(USD 1 000)</i>		<i>Share capital</i>	<i>Other paid-in capital</i>	<i>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

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>	Fourth quarter		Year to date		Year end
	12/31/2018	12/31/2017	12/31/2018	31.12.2017	31.12.2017
Opening balance	3,253	-	428	-	-
Net income/(loss) from equity accounted investments	-193	-	-391	-10	-10
Acquisitions and increase in paid in capital		-	3,023	438	438
Dividend and other distributions		-		-	-
Other comprehensive income/(loss)		-		-	-
Divestments, derecognition and decrease in paid in capital		-		-	-
Ending balance	3,060	-	3,060	-	428

4 Financial assets and liabilities

USD ('000)	Fourth quarter	Year End
	12/31/2018	31.12.2017
Other receivables	1,632	74
Convertible loan notes	5,034	1,153
Derivatives	1,132	-
Investments in fund units	1,086	-
Cash and cash equivalents	1,878	2,619
Total financial assets	10,762	3,846
Convertible notes	-	-
Derivatives	-	-721
Total financial liabilities	-	-721

FAIR VALUES USD ('000)	Fourth quarter		Year end	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	1,632	1,632	74	74
Convertible loan notes	5,034	5,034	1,153	1,153
Derivatives	1,132	1,132	-	-
Investments in fund units	1,086	1,086	-	-
Cash and cash equivalents	1,878	1,878	2,619	2,619
Total financial assets	10,762	10,762	3,846	3,846
Convertible notes	-	-	-	-
Derivatives	-	-	-721	-721
Total financial liabilities	-	-	-721	-721

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

USD ('000)	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)
Assets measured at fair value				
Convertible loan notes	31.12.2017	-	-	1,153
Liabilities measured at fair value				
Derivatives	31.12.2017	-	-721	-

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES USD ('000)	Year end	Fourth quarter	
	31.12.2017	Change in fair value	12/31/2018
Convertible notes	-	-	-
Derivatives	-721	-	-
Total Liabilities arising from financing activities	-721	-	-

5 Cash and cash equivalents

<i>(USD '000)</i>	Fourth quarter	Year end
	12/31/2018	31.12.2017
Cash and bank deposits	1,494	2,594
Restricted bank deposits	384	25
Total cash and cash equivalents in the statement of financial position	1,878	2,619
Cash and cash equivalents related to discontinued operations	250	89
Cash and cash equivalents in the statements of cash flow	2,128	2,708

6 Related party disclosures

Name	Position	Shares	Options	CFDs
Lars Christian Beitnes	Chairman of the board	212,578	360,000	107,460
Frode Aschim	Member of the board	228,142	360,000	-
Mona Lynne Eitzen	Member of the board	87,587	360,000	-
Cecilie Grue	CEO	218,240	1,300,000	-
Kim Andre Evensen	VP Finance and Accounting	-	900,000	-
Total		746,547	3,280,000	107,460

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

SERVICE AGREEMENT WITH GLOBAL VISION TRADING LIMITED

On 28 June 2018 the annual general meeting approved the entry into of a consultancy agreement with Global Vision Limited for providing administrative and consultancy services to the Group. The services from Global Vision Limited are provided by Mr. Lars C. Beitnes, Chairman of the Board of Element ASA. The services provided under this agreement are those over and above those duties normally covered by a non-executive Chairman. The agreement is in effect until 30 June 2019, and the fee amounts to NOK 100,000 per month.

SERVICE AGREEMENT WITH ETHER CAPITAL LTD

On 28 June 2018 the annual general meeting approved the entry into of a consultancy agreement with Ether Capital Ltd for providing administrative and consultancy services to the Group. The services from Ether Capital Ltd are provided by Mr. Frode Aschim, Board Member of Element ASA. The services provided under this agreement are those over and above those duties normally covered by a non-executive Board Member. The agreement was in effect until 30 June 2019 with a monthly fee of NOK 120 000. With effect from 1 February 2019 Frode Aschim has terminated his consultancy contract with the company to get more flexibility to pursue other assignments. Mr. Aschim will continue to work for the company in his capacity as member of the Board of Directors.

7 Discontinued operations

(USD '000)	Fourth quarter		Year to date		Year end
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	31.12.2017
Other Revenue	-	-	-	-	-
Exploration and evaluation costs	64	-92	-20	-246	-246
Salary and social security cost	-102	-90	-340	-329	-329
Other Operating expenses	-194	-87	-325	-240	-240
Operating loss	-233	-269	-686	-815	-815
Financial income	-	-	-	-	-
Financial costs	-	-	-	-	-
Net financial items	-	-	-	-	-
Loss before tax	-233	-269	-686	-815	-815
Deferred tax expense	-168	171	-168	171	171
Loss after tax	-401	-98	-854	-643	-643
Loss for the period	-401	-98	-854	-643	-643

(USD '000)	Fourth quarter	Year End
	12/31/2018	31.12.2017
ASSETS		
Exploration and evaluation assets	5,328	5,610
Property, plant and equipment	5	2
Total non-current assets	5,333	5,613
Other receivables	52	27
Other financial assets	83	108
Cash and cash equivalents	250	89
Total current assets	385	224
TOTAL ASSETS	5,718	5,837
LIABILITIES		
Deferred tax	195	47
Other long term liabilities	0	0
Total long term liabilities	195	47
Trade payables	182	230
Other current liabilities	1,842	1,927
Total current liabilities	2,024	2,157
TOTAL LIABILITIES	2,219	2,204

Reporting calendar

Financial year 2018

Annual General meeting 28.06.2019

The company's 2018 annual report will be available on the company's website on 30 April 2019.

Financial year 2019

Quarterly Report – Q1 31.05.2019

Quarterly Report – Q2 30.08.2019

Quarterly Report – Q3 29.11.2019

Quarterly Report – Q4 28.02.2020

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