element

Annual Report 2019

General Statement

The enclosed Financial statements and Board of Directors' report, together with the accompanying notes, fulfills Element ASA's Norwegian statutory requirements for annual reporting. The Annual report 2019 is available in PDF-format on our website www.elementasa.com. Throughout this report "the Company" refers to parent company Element ASA, while "the Group" refers to Element ASA and its affiliate companies.

The Board of Directors and Management

Thomas Christensen, Chairman of the Board of Directors

Thomas is a graduate in mechanical engineering from the University of Gothenburg's institute, with a Master of Business Administration from BI Norwegian Business School. He mainly works experience is with technology and venture capital. He has extensive experience within Corporate Finance and has conducted over 40 M&A transactions, stock listings, debt and equity financing within shipping and technology, both as Chief Financial Officer and external adviser. He has also experience from challenging turnarounds through board positions in global businesses. He is chairman of the in companies like Grieg Shipbrokers, Didac AS, Nordic Light Norway AS and holds board seats in several companies abroad. Christensen was elected as a member of the Board of Directors in January 2019. Mr. Christensen resides in Oslo, Norway.

Kris Gram, Board Member

Kris Gram is from 1 January 2020 employed as Chief Operating Officer of ProCorp AS. Prior to this, he worked more than 4 years in a family investment company. He also has 10 years investment banking experience from Pareto Securities AS, where he was partner and responsible for the mining industry, as well as 5 years as strategy consultant for Capgemini. He has extensive working experience from equity and debt capital markets as well as M&A. Mr. Gram is a graduate from University of St. Andrews, Scotland. Mr. Gram was elected to the Board for a 2-year term at the AGM in June 2019. He resides in Oslo, Norway.

Kari Mette Toverud, Board Member

Kari Mette Toverud is Director of Communications at Norkart AS. Ms. Toverud has worked in the telecom and datacom sectors for the past 23 years: Communication and Marketing Director at Broadnet and Ventelo from 2011 to 2014 and held the same position at Network Norway from 2006 to 2011). She was COO at Cloudberry Mobile from 2014 to 2015 and has held top management positions at Telenor Media, Telenor Mobil and Telenor Nordic Mobile (1995–2006). She has also served on a number of boards, notably Telenor Eiendom, Telenor Norge and Telenor Key Partner, and currently sits on the boards of NextGenTel Holding ASA, Totalctrl AS, KatrinUri AS, Systek AS and Norsk Gold AS. Ms. Toverud has a Master of Business and Marketing/Handelsøkonom from BI Norwegian Business School/Handelsakademiet (1987–1991). Toverud was elected to the Board for a 2-year term at the AGM in June 2018. Mrs. Toverud resides in Bærum, Norway.

Geir Johansen, CEO & CFO

Johansen holds a master's degree in international business from the Norwegian Business School BI and has completed an Executive development program at IMD. Johansen has broad financial experience from publicly traded companies and has in the past 12 years worked as Group CFO for Axactor AB, S.D. Standard Drilling and DOF Subsea ASA. Johansen has extensive international experience and has over the last 20 years lived and worked in Japan, the USA, Singapore, Romania and London, and is currently living in Oslo. Johansen joined Element in December 2018 as interim CFO and became CEO in June 2019. Johansen lives in Oslo, Norway.

Hans Ola Haavelsmo, COO

Haavelsrud holds an MSc in Philosophy from the London School of Economics and an Executive MBA in Finance from the Norwegian School of Economics (NHH). He has broad financial and industrial experience from seven years as a transaction advisor at PwC, and five years as a director at an international EPC firm within power generation and transmission with operations in Norway, Africa and Asia. Haavelsrud joined Element in September 2018 and lives in Oslo, Norway.

Management Report

During 2019 the Group has been through a restructuring process whereby the Ambershaw Metallics Inc. (“AMI”) equity investment has been sold and the loan extended to AMI has been restructured; the units held in Osead Fund/CMT have been sold; the token project has been dismantled and the convertible loan facility with Alpha Blue Ocean / European High Growth Opportunities Securitization Fund (“ABO/EHGF”) has been terminated. Additionally, Element has made its first investments in block chain related entities.

Sale and restructuring of the AMI investment

In December 2019, the Company entered into agreements for the sale of its shares in AMI and its claims under the Convertible Bond. All shares in AMI were sold to Eardley Settlement Ltd. ("Eardley") at a purchase price of USD 1,500,000. The purchase price was settled by Eardley issuing a promissory note to Element at the closing. The promissory note falls due in December 2024, but can be prepaid at a small discount, and carries an interest rate of 7% per annum. The promissory note is secured by a first priority pledge over the AMI shares.

The agreements to repay and refinance the Convertible Bond was entered into with AMI and Legacy Hill Resources (LHR). As a part of the restructuring, AMI repaid USD 2,000,000 of the principal of the Convertible Bond in cash to Element. The remaining principal including accrued incurred interest as of the repayment date was USD 3.3 million and this amount was converted into two new balloon term loans.

The first term loan (T1) has a principal amount of USD 500,000 and shall be repaid including interest no later than 31 July 2020. The second term loan (T2) has a principal amount of USD 2.84 million and shall together with accrued interest be repaid no later than 27 December 2024. If AMI repays T2 before the final maturity date, AMI shall be granted a discount on the outstanding amount ranging from 15-50% depending on when the early repayment takes place. No discount is given if the loan is repaid after 31.12.2022.

Both T1 and T2 carry an annual interest rate of 7% which shall be paid on the maturity date. Both loans shall be secured by a first ranking fixed and floating charge over the business and assets of AMI.

Sale of all fund units in Osead Fund/CMT

At the end of 2019, the Company reached agreement with Manco Group Osead S.A. (“Manco”)regarding sale of all 396 fund units which Element owned in the Osead fund. Element sold the 396 units for EUR 1.3 million (corresponding to a unit price of EUR 3,283 per unit), whereby EUR 1.0 million was settled in cash by the buyer and EUR 0.3 million was settled by release of funds held in separate restricted account.

Element was entitled to an additional purchase price if Manco was to sell any units in the fund for a unit price exceeding the EUR 3,283 during the first 12 months after the date of the agreement. Manco made a re-sale of the fund units in February 2020, therefore Element received additionally EUR 173 thousand in payment for the units, bringing the total unit price up to EUR 3,720. After this transaction Element no longer holds any fund units.

Mindoro Nickel project – The Philippines

The Mindoro Nickel Project is a large nickel-laterite deposit located on the island of Mindoro in the Philippines. The Mindoro Nickel Project contains the geologic resources that have been explored since 1996. A Definitive Feasibility Study ("DFS") related to the Mindoro Nickel Project was completed in 2010.

Currently there is no ongoing mining related activity by the Company on Mindoro other than community engagement activities which are required to continue in order to comply with the MPSA obligations. Over the last 6-9 months, Element has been in discussions with 15 different international and local entities that have shown interest in the Mindoro assets, however no firm offers have been received as of the date of this report. Element has therefore made an impairment write-down of the Philippine assets by USD 4.1 million and writing down related liabilities by USD 1.7 million. The adjustments were made to better reflect a realistic sales price for the Mindoro assets.

Termination of the convertible notes agreement with ABO/EHGF

In December 2019 Element and ABO/EHGF entered into a settlement and termination agreement which terminated the convertible note facility entered into between the abovementioned parties. Upon signing the agreement, Element was no longer able to make drawdowns under the NOK 500 million convertible note facility and ABO/EHGO was no longer entitled to require Element to issues new convertible notes. The parties further agreed to waive any and all potential claims against each other under the Issuance Agreement, the share lending agreement and otherwise. As part of the termination agreement Element agreed to pay a termination fee of NOK 2.6 million to ABO/EHGF.

At the time of termination, Element had in total drawn a total of NOK 125 million under the facility which ABO/EHGF had converted to shares. Element had issued warrants to ABO/EHGF under the convertible note agreement, and at the time of terminating the agreement the following warrants were still outstanding.

Issue date	Mar-18	Mar-18	Mar-18	Mar-18	Mar-18	Jun-18	Jun-18	Dec-17	Dec-17	Oct-18	Nov-17	Mar-19	Jul-19
No. Warrants	26,596	26,596	26,596	26,596	26,596	555,556	111,111	69,444	69,444	217,391	37,500	500,000	322,580
Strike (NOK)	110	110	110	110	110	90	90	48	48	46	26	8	3.1
Expiry	Mar-21	Mar-21	Mar-21	Mar-21	Mar-21	Jun-22	Jun-22	Dec-20	Dec-20	Jun-22	Nov-20	Jun-22	Jun-22

All warrants have been adjusted for the reverse split of the Element share at the ratio of 1/20 undertaken in April 2019. All shares and warrants in Element held by ABO/EHGF will remain owned by them and may be disposed of as ABO/EHGO see fit.

Reinvesting in block chain related companies

In June 2019 Element announced that it had partnered with PALCapital, New York, a company controlled by Mr. James Haft, for the development of a new digital initiative. Subsequently, in August 2019, Element acquired 100% of the shares in PALCapital Ventures Inc. (PCV), from a company controlled by James Haft. PCV is an investment company with early stage investments within the digital and distributed ledger/blockchain sectors. The company holds rights to receive Fanchain tokens issued by SportsCastr International Ltd., and further holds rights to acquire equity in AdNode and rights to tokens in two other companies, TradeStars and MetaMe, all within the digital and blockchain industry. In December 2019 Element, on behalf of PCV, exercised its right to purchase convertible notes in AdNode for USD 50,000.

The purchase price for PCV was NOK 4.24 million and was ultimately settled by Element through the issuance of 2,650,000 new shares in Element ASA to the seller at a price of NOK 1.60 per share, corresponding to the par value of the Company's Shares at the closing date.

After the PCV acquisition, in January 2020, the Group has acquired 0.46% of the common equity in GlobexUS Holdings, Corp, a Blockchain-as-a-Service solutions company, with the trading name Horizon-Globex. Horizon-Globex offers a suite of integrated blockchain software applications directed towards the financial sector. Horizon-Globex's solutions seeks to combine Wall Street and Silicon Valley to power the next generation of exchanges and securities offerings in the U.S. and globally. Current product solutions include asset tokenization through Tokenetics (tokenetics.com); a white-label KYC smartphone app to onboard and verify investors through KYCware (kycware.com); anti-money laundering screening against a database of global sanctions, watchlists, PEPs, and blockchain forensics through AMLCop (amlcop.com); transfer agent custody and dividend payment tools through CustodyWare (custodyware.com), and an advanced retail trading app for secondary trading on digital securities marketplaces using Open Order Book (openorderbook.com). All software applications can be utilized independently or integrated with one another.

Report from the Board of Directors

The Business of the Group

The Company's legal and commercial name is Element ASA. The Company is a Norwegian public limited company incorporated in Norway under and governed by the Norwegian Public Limited Companies Act, with business registration number 976 094 875. Element is domiciled in Oslo, Norway.

Element is a project investment company within the mining sector and the digital and block-chain sector. Historically the main business of the Company has been to be a mineral exploration company holding mineral exploitation or exploration rights for nickel-cobalt-mineralized areas on the island of Mindoro in the Philippines.

The Company's main assets currently are; (i) the Mindoro Nickel Project, (ii) a holding of all shares in PALCapital Ventures Inc., an investment company with early stage investments within the digital and distributed ledger/blockchain sectors, and (iii) claims for repayment of debt related to the restructuring of AMI, with a total principal amount of USD 4.8 million.

Financial performance

During 2019 the Group has been through a restructuring process whereby the AMI equity investment has been sold and the loan extended to AMI has been restructured; the CMT units have been sold; the token project has been dismantled and the convertible loan facility with ABO/EHGF has been terminated. Additionally, Element has made its first investments in block chain related entities.

As in previous years, the Group had no operating income in 2019. For the financial period ending 31 December 2019, the Group had a consolidated loss after tax from continuing operations of USD 9.22 million (2018: USD 13.1 million). Total loss after tax for the period was USD 14.0 million (2018: USD 13.9 million). Salary, social expenses, and other administrative expenses by the end of the year was USD -3.3 million (2018: USD 3.8 million), while net financial items were USD -6.1 million (2018: USD -9.3 million). The financial cost amounted to USD 6.5 million (2018: USD 9.1 million).

Cash flow from operating activities was USD -4.9 million (2018: USD -7.3 million). Cash flow from investment activities was USD 2.6 million (2018: USD -9.6 million), while cash flow from financing activities was USD 3.2 million (2018 15.0)

At the end of 2019 cash and bank deposits totalled USD 2.95 million (2018: USD 2.1 million). The Group had no interest-bearing debt at the end of the year.

As at 31 December 2019, the Group’s equity was USD 6.9 million (2018: 16.5 million) or USD 0.75 per outstanding share (2018: USD 0.15 per outstanding share). This corresponds to an equity ratio of 89.7 per cent (2018: 84.4 per cent), calculated by dividing total equity by total assets (alternative performance measure).

The Company is not engaged in any R&D activities.

Risk review

The Board and management consider systematic and deliberate management of risk as essential in the development of its projects and regard this as a significant factor for long-term value creation for the shareholders, employees and society. The risk assessment process involves analysing both external and internal risk factors, including corporate risk and project risk factors. A risk assessment is presented to the Board and the Audit committee on a regular basis. The following are the main the main risks identified for the Group:

The Group only has funding for a limited time period. As the Group's current assets are not generating steady income, there is a risk that the Company will not be able to obtain funding for its operations when the current funds run out.

Element is a project investment company within the mining sector and the digital and block-chain sector, currently holding only a limited number of investments. The Company is therefore exposed to market risk and a lack of diversity in the investment portfolio and cannot fully control or influence the operations and performance of its investments. Further, returns might be adversely affected by poor performance of even a single investment.

The Group is currently seeking to divest its investment within the mining sector in the Philippines. However, the Group may not be able to divest at favourable terms, or at all. If the Company can divest this investment, the Company will no longer have any exposure towards the mining sector (apart from its claims for repayment of debt owed by Eardley and AMI).

The Group's remaining investments are illiquid and may be difficult to realize.

The Group is entitled to receive block-chain based tokens, subject to the terms and conditions of certain agreements, and has not yet received any such tokens. No assurance can be given that the Group will receive any such tokens.

Corporate governance

Element's governance systems are based on principles set out in the Norwegian Code of Conduct for Corporate Governance. In accordance with section 3-3b of the Norwegian Accounting Act, an overall report of corporate governance at Element has been prepared and enclosed as a separate document in the annual report.

Environmental Impact and Corporate social responsibility

The Group's vision and values is to act responsibly and build sustainable communities based on ethical, social and environmental norms. The ethical guidelines for Element and the Company's business ethics are being reviewed annually and the Company reports on international standards for corporate social responsibility.

The Company facilitates equal opportunities for professional and personal development regardless of gender and strives to maintain a good working environment. The company has not had any work accidents or incidents in 2019, and the Group has not during the year had any incidents negatively affecting the external environment.

In accordance with section 3-3c of the Norwegian Accounting Act, a report of Corporate Social Responsibility has been prepared. The report is included as a separate document in the annual report and includes details on working environment, injuries, accidents, sickness absence, equality, and non-discrimination, as well as social responsibility and external environment. This report is an integral part of the Board of Directors' report.

Parent Company Results

The parent company had a loss for the year of NOK 131.4 million (2018: NOK 98.3 million). This reflects net financial loss of NOK 53.8 million (2018: NOK 64.1 million). The Board proposes that no dividend is paid and that the annual result is transferred to other equity.

The annual accounts have been prepared based on the going concern assumption in accordance with section 3-3a of the Norwegian Accounting Act. This is based on the Group's plans, budgets and level of activity going forward.

As of 31 December 2019, the parent company had cash and cash equivalents in the amount of NOK 25.3 million (2018: 16.3 million).

The valuation of the Group's assets is based on the going concern assumption.

Assumptions of Continued Operation

The Group does not have any revenue and relies on other sources for liquidity and funds to finance operations. The Board considers that the cash balance of NOK 25.3 million available at the end of the year is sufficient to secure operations for the next 12 months. In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the assumptions of continuing operations are present.

Outlook

Element will focus on completing the final step of the restructuring process through a sale or further down scaling of activities in Mindoro. The company is currently considering several strategic alternatives for the group and will continue to look for investment opportunities within the distributed ledger/blockchain space.

Oslo, 29 April 2020, Board of Directors, Element ASA

Thomas Christensen
Chairman of the Board

Kris Gram
Board Member

Kari Mette Toverud
Board Member

Geir Johansen
CEO

Consolidated financial statements

Consolidated statement of profit and loss and other comprehensive income

(USD '000)	*Note*	**2019**	**2018**
Net income/loss from equity acct. Investments		-	-
Other Revenue		156	-
Exploration and evaluation costs		-	-3
Salary and social security cost	5, 6, 7, 8	-1,145	-1,228
Other Operating expenses	9, 10	-2,114	-2,571
Operating loss		**-3,103**	**-3,802**
Financial income	11	435	207
Financial costs	11	-6,549	-9,083
Equity accounted investments	4	-	-391
Net financial items		**-6,114**	**-9,267**
Loss before tax		**-9,217**	**-13,069**
Income Taxes	12	**-**	**-**
Loss after tax		**-9,217**	**-13,069**
Loss discontinued operations, after tax	15	-4,831	-854
Loss for the period		**-14,048**	**-13,922**
Basic and diluted earnings per share	13	-0.75	-0.15
Basic and diluted earnings per share - continued operations	13	-0.49	-0.14
Basic and diluted earnings per share - discontinued operations	13	-0.26	-0.01
Other comprehensive income:			
Items that will be reclassified to income statement			
Currency translation adjustments		-128	1,351
Other comprehensive income		**-128**	**1,351**
Total comprehensive income		**-14,176**	**-12,570**
Total comprehensive income attributable to Element shareholders		**-14,176**	**-12,570**

Consolidated statement of financial position

(USD '000)	*Note*	**2019**	**2018**
ASSETS			
Intangible asset		483	
Financial investments		3562	
Property, plant and equipment		8	10
Equity accounted investments	4	0	3,060
Total non-current assets		**4,053**	**3,070**
Financial investments	11, 14	553	7,252
Other receivables	14, 16	104	1,632
Cash and cash equivalents	14, 17	2,886	1,878
Total current assets		**3,543**	**10,762**
Assets classified as held for sale	15	64	5,718
Assets classified as held for sale		**64**	**5,718**
TOTAL ASSETS		**7,660**	**19,550**
EQUITY			
Share capital	18	3,440	1,229
Other paid-in-capital	18	94,657	93,392
Cumulative translation adjustments	18	11,733	11,861
Other equity	18	-102,957	-89,975
Total equity		**6,872**	**16,507**
LIABILITIES			
Other long term liabilities	19	0	0
Total long term liabilities		**0**	**0**
Trade payables	20	119	261
Derivatives	14	0	0
Convertible notes		0	0
Other current liabilities	19, 20	141	563
Total current liabilities		**260**	**824**
Liabilities associated with assets classified as held for sale	15	529	2,219
Liabilities associated with assets classified as held for sale		**529**	**2,219**
TOTAL EQUITY AND LIABILITIES		**7,660**	**19,550**

Oslo, 29 April 2020, Board of Directors, Element ASA

Kris Gram
Board Member

Thomas Christensen
Chairman of the Board

Kari Mette Toverud
Board Member

Geir Johansen
CEO

Consolidated statement of cash flows

(USD '000)	*Note*	**2019**	**2018**
Profit/-loss for the year, continued operations		-9,217	-13,068
Profit/-loss for the year, discontinued operations		-4,831	-854
Operating activities			
Depreciation		3	-
Non-cash expenses related to options and warrants		9,192	7,660
Change in trade and other receivables		404	-666
Change in trade payables and other current liabilities		-284	-646
Changes in other long term liabilities		-	-
Change in assets held for sale		-148	296
Cash flow from operating activities		**-4,881**	**-7,278**
Investment activities			
Net expenditure on property, plant and equipment		-	-8
Equity accounted investments		-	-2,915
Investment in other financial assets		2,624	-6,708
Cash flow from investment activities		**2,624**	**-9,631**
Financing activities			
Proceeds from new shares issued		1,035	15,230
Repurchase of shares		-80	-253
Cash flow from financing activities		2,250	-
Cash flow from financing activities		**3,205**	**14,977**
Net change in cash and cash equivalents		948	-1,932
Cash and cash equivalents at the start of the period		2,127	2,708
Sum translation effects		-125	1,351
Cash and cash equivlents at the end of the period for cont. and disc. Operations		**2,950**	**2,127**

Consolidated statement of changes in equity

(USD 1 000)	*Share capital*	*Other paid-in capital*	*Cumulative translation*	*Other equity*	*Held for sale*	*Total*
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**

(USD 1 000)	*Share capital*	*Other paid-in capital*	*Cumulative translation*	*Other equity*	*Held for sale*	*Total*
Equity 1 January 2019	**1 229**	**93 392**	**11 861**	**-22 194**	**-67 781**	**16 507**
Loss for the period				-9 217	-4 831	-14 048
Other comprehensive income			-128			-128
Total comprehensive income	**-**	**-**	**-128**	**-9 217**	**-4 831**	**-14 176**
Capital increase	2 229	1 326	-	537	-	4 091
Repurchase of shares	-19	-61	-	-	-	-80
Share options cost	-	-	-	188	-	188
Converted warrants	-	-	-	342	-	342
Total transactions with owners	**2 211**	**1 265**	-	**1 066**	-	**4 542**
Equity 31 December 2019	**3 440**	**94 657**	**11 733**	**-30 345**	**-72 612**	**6 872**

Notes to the consolidated financial statements

01 Information about the company and the group

Element ASA is a public limited liability company incorporated and domiciled in Norway. The Company's office address is Grundingen 2, 0250 Oslo, Norway. The Company's shares are listed on the Oslo Stock Exchange.

The consolidated financial statements for 2019 comprise the parent company and its subsidiaries (collectively referred to as the "Group" or to each company as a "group company"), and show the consolidated profit/loss and the consolidated financial position for the parent company Element ASA and the companies in which it has a controlling interest, when these are presented as a single financial unit.

The Group's main activity has historically been to engage in international exploration and evaluation activities with a focus on non-precious metals and mineral projects. At the beginning of 2019, the Group had ownership interests in projects in Ambershaw Metallics Inc (AMI) in Canada, the Mindoro Nickel Project in the Philippines as well as fund units in Minière De Touissit SA.

During 2019 the Group has gone through a restructuring process with the intent of selling or restructuring all mining interests and terminating the convertible loan facility with ABO/EHGF.

As of 31.12.2019 the Group has sold its 26,7% equity stake in AMI and restructured the convertible loan previously given to AMI, whereby USD 2.0 million was repaid and the remaining portion including accrued interest was converted to a 5-year term loan. The Group also sold the 396 fund units In Osead fund, Luxembourg. The Mindoro Nickel Project continues to be classified as Asset held for sale as the focus is to sell this project.

The parent company was listed on Oslo Stock Exchange on 21 December 2006. The consolidated financial statements for Element ASA, including disclosure requirements for the accounting period ended 31 December 2019, were approved by the Board of Directors and CEO on 29 April 2020, and will be presented for approval at the annual General Meeting on 25 June 2020.

02 Basis of preparation of the financial statements

The consolidated financial statements for the financial year 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations that are relevant to the Group, as well as the disclosure requirements in the Norwegian Accounting Act and requirements set out by Oslo Stock Exchange, which are effective for financial periods commencing 1 January 2019. The consolidated financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities (including derivative instruments) which are recorded at fair value through equity or the statement of profit or loss

Going concern

The annual accounts have been prepared based on the going concern assumption in accordance with section 3-3a of the Norwegian Accounting Act. This is based on the Group's plans, budgets and level of activity going forward.

As of 31 December 2019, the Group had cash and cash equivalents in the amount of USD 2,886 thousand, which is enough to cover the Group's operating expenses and liabilities for the 12 months following the end of year. Any new significant investments would need to be funded separately by the Group. As the Group has terminated the convertible loan facility with ABO/EHGF Element can no longer rely on this facility for funding of new investments and would have to resort to issuing shares as funding of any significant investments.

Consolidation of exploration and evaluation activities

As part of an intercompany reorganisation in 2009, the Group separated its various projects in separate legal entities. This resulted in the transfer of shares in the Philippine subsidiaries from Element ASA to Mindoro Nickel AS. Mindoro Nickel AS is a special purpose vehicle for the Mindoro Nickel Project, acting as direct holder of the Company's mining interests in affiliate Philippine companies. The control of Mindoro Nickel lies within this legal entity.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

03 Accounting Principles

3-1 Basis for consolidation

Subsidiaries

Subsidiaries are companies over which the Group has control. Control is defined as the power to govern the financial and operating policies of another entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Eliminations

Intercompany transactions and balances are eliminated.

Foreign currency transactions

Functional currency and presentation currency

The functional currency of the parent company (Element ASA) is NOK, while the presentation currency for the Group is USD. Comparable companies use primarily USD as their presentation currency. The Company is of the opinion that the results for the Group are best reflected using USD as the presentation currency, since this provides comparability with other corresponding companies. All amounts are presented in whole thousands if not otherwise stated.

Transactions and balances in foreign currency

Each group company registers transactions in the currency that is commonly used in the financial community where the group company operates (functional currency).

In the preparation of the financial statements for the respective group companies, transactions in currencies other than the functional currency of the entity are translated to the functional currency of the respective group company at the foreign exchange rate on the transaction date. Monetary items in foreign currencies are translated to functional currency applying the foreign exchange rate at the balance sheet date. Currency gains and losses that occur as a consequence of currency fluctuations between the transaction date and the payment date, and currency gains/losses due to translation of monetary items from foreign currency to the functional currency at the exchange rate at the balance sheet date, are recognised in profit or loss.

Consolidation

The accounts of any unit in the Group which uses a functional currency deviating from the Group's presentation currency are translated to USD as follows:

- Assets and liabilities are translated at the foreign exchange rate at the balance sheet date.
- The income statement is translated at average exchange rates; and,
- All exchange differences are entered as separate items as part of the consolidated statement of changes in equity

Currency differences on monetary items that are a part of the Group's net investment in a subsidiary are recognised as other comprehensive income.

The Group's functional currencies are NOK (Norwegian krone) and PHP (Philippine pesos). At year end, balance sheet items were converted from functional currency NOK and PHP to presentation currency USD using the following exchange rates:

	NOK 31.12		**PHP 31.12**	
	2019	*2018*	*2019*	*2018*
USD	8.78	8.73	50.65	52.58

3-2 Use of estimates and assumptions

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses, and information on potential liabilities. This particularly applies to the depreciation of tangible fixed assets, impairment of goodwill and evaluations related to acquisitions and pension commitments. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

Judgments

The management has, when preparing the financial statements; made certain significant assessments based on critical judgment when it comes to application of the accounting principles. The following notes include the Group's assessments regarding:

- Financial instruments, note 14 Financial assets and financial liabilities

Key areas for judgments, assumptions and estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or in its respective note.

3-3 Cash and cash equivalents

Cash and cash equivalents include bank deposits and other short-term highly liquid investments. Restricted cash includes bank deposits for withholding taxes and bank deposits pledged as security to cover certain guarantees.

3-4 Revenue recognition

The Group does not have any revenues as of 31 December 2019.

3-5 Investments in associates

An associate is an equity investment in which Element can exercise significant influence, which is the power to participate in the financial and operating policy decisions of the entity. Significant influence is assumed to exist when Element owns between 20 and 50 percent of the voting rights unless other terms and conditions affect Element's influence. Special voting rights may extend control beyond what is conveyed through the owners' proportional ownership interest. Such rights may take the form of a specified number of board representatives, the right of refusal for important decisions, or the requirement of a qualified majority for important decisions which effectively results in joint control with the specific ownership situation. Element accounts for investments in associates and participation in joint ventures using the equity method. Element recognizes its share of net income, including depreciation and amortization of excess values and any impairment losses, in Share of the profit (loss) in equity accounted investments.

3-6 Employee benefits

Pension obligations

The Group has a defined contribution plan for its employees in Norway. A defined contribution plan is a pension arrangement where a fixed yearly contribution is paid to a pension fund. The Group has no legal or constructive obligation to pay further contributions. Compulsory contributions are recognised as personnel costs as they arise.

Share based payment

The Group has share-based programs for the executive management and board members. The programs are measured at fair value at the date of the grant. The share option program is settled in stocks. The fair value of the issued options is expensed over the vesting period which in this case is over the agreed-upon future service time.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

3-7 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities, except for:

- Temporary differences linked to goodwill that are not tax deductible
- temporary differences related to investments in subsidiaries, associates, or joint ventures when the Group controls when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognised when it is probable that the company will have a enough profit for tax purposes in subsequent periods to utilise the tax asset. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce a deferred tax asset to the extent that the company no longer regards it as probable that it can utilise the deferred tax asset. Deferred tax and deferred tax assets are measured based on the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.
Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.
Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.
Due to uncertainty related to the possible utilisation of tax losses carried forward within a reasonable timeline, deferred tax assets as at 31 December 2019 and 31 December 2018 have not been recognised.

3-8 Earnings per share

The basic and diluted earnings per share as presented for ordinary shares.

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share are calculated by dividing the profit for the period with the weighted average number of outstanding shares adjusted for potential dilution effects. Options are dilutive when they result in the issue of ordinary shares for less than the average market price of ordinary shares during the period, and only when their conversion to ordinary shares would decrease earnings per share or increase loss per share. Stock options are excluded from the computation if their effect is anti–dilutive.

3-9 Discontinued operation

Assets-held-for-sale; all non-current assets that are held for sale, which is when the carrying amount will be recovered principally through a sales transaction. Assets-held-for-sale are measured at fair value less costs to sell.

Impairment loss on initial classification as Asset-held-for-sale are allocated to the asset and included in profit or loss. This also applies subsequent re-measurement of reversal of previous recorded impairment loss. Assets held-for-sale are reclassified to held-for-use if they no longer meet the criteria to be classified as held-for-sale. The presentation of an operation as a discontinued operation is limited to a component that is classified as held-for-sale, and;

- represents a separate major line of business or geographical area or operations
- is part of a co-ordinated single plan to dispose of a separate major line of business or geographical area of operations; or,
- is a subsidiary acquired exclusively with a view to resale.

An operation segment will normally represent a separate major line of business or geographical area of operation.

The discontinued operations fall within Level 3 of the fair value hierarchy, and has been valued using a method of comparable, and discounted for asset specific risk factors. The fair value of the asset is done by the managements based on market assumptions and external inputs.

3-10 Share capital and shareholder information

Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of ordinary shares are recognised as a reduction in equity (share premium reserve).

Dividend distributions to the shareholders of the Company are classified as liability from the date on which the dividend is adopted by the general meeting.

When treasury shares are repurchased, the purchase price including directly attributable costs is recognized in equity. Treasury shares are presented as a reduction in equity. Losses or gains on transactions involving treasury shares are not recognized in the statement of comprehensive income.

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities.
Exchange-rate differences in monetary amounts (liabilities or receivables) which are a part of a company’s net investment in a foreign entity are also included as translation differences.
If a foreign entity is sold, the accumulated translation difference linked to the entity is reversed and recognized in the statement of comprehensive income in the same period as the gain or loss on the sale is recognized.

3-11 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position as either current or non-current.
The Group classifies an asset as current when it:

- Expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- Holds the asset primarily for the purpose of trading
- Expects to realize the asset within twelve months after the reporting period

Or

- The asset is cash or a cash equivalent unless the asset is 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, including deferred tax assets.

The Group classifies a liability as current when it:

- Expects to settle the liability in its normal operating cycle
- Holds the liability primarily for the purpose of trading
- Is due to be settled within twelve months after the reporting period

Or

- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current, including deferred tax liabilities.

3-12 Financial instruments

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.

Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.
The Group classified its financial assets in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit and losses

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Groups financial assets at amortised cost includes short-term deposit.

Financial assets at fair value through profit and loss

Financial assets and liabilities are classified as fair value through profit and loss if they are held for sale or
ore are classified as this at initial recognition. All financial assets can be classified as fair value through profit and loss if:

- The classification reduces a mismatch in the measurement or recognition that would otherwise have arisen as a result of different rules for measuring assets and liabilities

- The financial assets are included in a portfolio as current measured and reported at fear value

Transaction costs are recognized in profit or loss when incurred. Financial asset at fair value are measured at reporting date. Changes in fair value is recognized in the profit or loss.

The Group has the following assets recognised in the statement as fair value through profit and loss

- Convertible loan notes
- Derivatives
- Investment in fund units

A financial asset is deemed to be exposed to impairment if there are objective indications that one or more events have had a negative effect on the estimated future cash flow from the asset. Material financial assets are tested for impairment individually. The remaining financial assets are divided into groups where each group has similar credit risks/characteristics and the impairment assessment is performed on a group basis.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
The Group does not have financial liabilities held-for-trading or liabilities designated as at fair value through profit or loss.

Loans, borrowings, and payables
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.
Payables are measured at their nominal amount when the effect of discounting is not material.

3-13 Financial income and expense

Financial income consists of interest income on financial investments, gains related to the disposal of financial investments and changes in the fair market values of financial assets and liabilities at fair value through profit and loss.

3-14 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

04 Investments accounted for using the equity method

Ambershaw Metallics Inc

AMI is a metals and mining company incorporated under the laws of the Province of British Columbia, Canada. AMI is majority owned by Legacy Hill Resources and it has specific experience in magnetite mining and pelletizing technology.

Since December 2016, the Group has held an option to acquire 51% of AMI through a combination of paid in capital and a final share swap. As of 31 December 2018, Element held 26,7% of the shares in Ambershaw Metallics Inc (AMI) with value of USD 3 060 thousand.

On 20 December Element sold all its 7,890,727 shares in AMI, corresponding to 26.7% of total shares outstanding, for USD 1.5 million. The purchase price was settled by the buyer, Eardley Settlement Ltd., by issuing a promissory note to Element at closing date.

(USD '000)	**2019**	**2018**
Opening balance	3,060	428
Net income/(loss) from equity accounted investments	-	-391
Acquisitions and increase in paid in capital	-	3,023
Dividend and other distributions	-	-
Other comprehensive income/(loss	-	-
Divestments, derecognition and decrease in paid in capital	-3,060	-
Investment at 31 December	**-**	**3,060**

The following summarized financial information is based on AMI's annual report as of 31 December 2018 and is for information purpose only.

CAD ('000)	**31/12/2018**
Cash and cash equivalents	7,409
Current assets	26
Non-Current assets	1,741
Other current liabilities	-
Current liabilities	-225
Non-Current liabilities	-6,754
Net assets	**2,198**
Gross revenues	-
Income/(loss) before tax	-1,764
Net income/(loss)	**-1,764**

USD ('000)	31/12/2018
Portion of identifiable net assets	587
Goodwill	2,436
Consideration paid through share swap	**3,023**
Less portion of cash and cash equivalents acquired	-1,978
Consideration paid, less cash and cash equivalents acquired	**1,045**

05 Salaries and personnel expenses

(USD '000)	2019	2018
Payroll expenses	1,119	921
Social security costs	117	73
Pension costs	32	37
Costs related to options granted to employees and directors	211	490
Other benefits	43	46
Total	**1,521**	**1,568**
Of which are related to discontinued operations	-376	-340
Expensed salaries and personell costs	***1,145***	***1,228***
Average number of full time equivalents (continuing operations)	3.0	3.0

06 Remuneration of corporate management, the Board of Directors

The Group Management consists of the Group Directors. Group Directors are the CEO/CFO and the COO that are both employed by the parent company, in addition to the President in the largest subsidiaries.

Remuneration to group management 2019 (USD '000)	*Salary*	*Benefits in kind*	*Bonus*	*Pension cost*	*Total remune-ration*
Geir Johansen, CEO & CFO	162	0	-	-	-
Cecilie Grue	139	0	-	13	**152**
Hans Ola Haavelsrud, COO	166	1	-	13	**179**
Kim Andre Evensen, VP Finance and Accounting	77	0	-	6	**83**
Joselito R. Bacani, President	123	5			
Total remuneration to group management	**543**	**2**	-	**31**	**414**

Remuneration to group management 2018 (USD '000)	*Salary*	*Benefits in kind*	*Bonus*	*Pension cost*	*Total remune-ration*
Cecilie Grue, CEO	222	1	-	15	**239**
Hans Ola Haavelsrud, COO	51	0	12	4	**68**
Kim Andre Evensen, VP Finance and Accounting	146	4	-	10	**159**
Joselito R. Bacani, President	115	10	-	-	**126**
Total remuneration to group management	**535**	**15**	**12**	**29**	**591**

The Group Management takes part in the general pension scheme described in the pension note (7).
Mr Johansen was hired as interim CFO up to June 6, 2019 and during this period the Company paid consulting fee to Mr. Johansen consulting company. As CEO Mr. Johansen has a severance payment agreement equivalent to 18 months' salary.
Mr. Joselito Bacani is covered by the Group's retirement fund. The current monthly salary, and the length of service is the basis for computation. Further, Mr. Bacani has a severance payment in case of Change of Control of the assets related to the Mindoro Nickel Project. In the event of a Change of Control he may terminate the contract with one month written notice

and will receive an amount equal to 2.5 months' basic salary (PHP 467 thousand per month). The share option program for corporate management is described in note 8 *Share-based payment*.

Remuneration to the Board of Directors

Remuneration of the Board of Directors consists of a fixed annual fee depending on the role in the board, as well as an agreement that the board members will be compensated at an hourly rate of NOK 1700 for work performed over and beyond what regular director duties normally would demand.
The members of the Board do not have agreements for severance pay. The election committee proposes the remuneration of the Board of Directors.

Remuneration to the board of directors (USD '000)	**2019**	**2018**
Lars Christian Beitnes	5	51
Frode Aschim	22	39
Mona Lynne Eitzen	22	39
Per Johnny Bråthen	2	2
Jon Ola Frankplads	1	1
Thomas Christensen	109	-
Odd Aarhus	1	-
Kris Gram	20	-
Kari Mette Toverud	40	26
Total remuneration to the board of directors	**223**	**160**

Mrs. Cecilie Grue has a 12-month consulting agreement with the company to ensure her availability for the new management in case there are issues pertaining to prior periods where her knowledge is required. Under this agreement Mrs. Grue receives NOK 25 000 per month. The agreement will terminate in June 2020.

Mr. Lars Christian Beitnes had a consulting agreement with the Company which was terminated by the company on July 11, 2019.

Board members have been granted options. The share option program is described in more detail in note 8 *Share based payment*.

07 Pension obligations

The Group has a commitment to pay a yearly contribution for each employee of 5% of the salary up to 7.1 times the base amount (G) in the Norwegian Social Security Act and 11% salary between 7.1 and 12 times the base amount.

In addition, the Group has set up a disability insurance arrangement (70% of salary up to 12 times the base amount), a spouse/cohabitant pension agreement (60 % of the disability pension in 10 years) and a child pension arrangement (50% of the disability pension, payment for each child under the age of 21).

As at 31 December 2019, the Group's pension scheme had three members (31 December 2018: two members). In the accounting period, the costs related to the contribution plan amounted to USD 37 thousand (2017: USD 18 thousand).

08 Share based payment

The company has a share option programme covering certain employees in senior positions and board members. Fair value of the options is measured using the Black–Scholes pricing model. Fair value of the share options is based on fair value at the grant date. Risk free interest rate is correspondingly set to interest level at the grant date. Volatility is equivalent to the 3-year annualized volatility starting on the grant date. Share option costs are recorded directly to equity according to the vesting schedule of the individual share option grants.

Social security expense on options is recognised over the estimated vesting period. The social security expense is calculated using the appropriate tax rate on the difference between the market price and the exercise price for the shares at the balance sheet date.

Grant date	*Number of options on 01.01.2019*	*Granted 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
06.03.2017	20,000		-		36.40		20,000	14/12/2021
15.11.2017	30,000			7,500	39.00		22,500	14/12/2021
06.06.0218	60,000			60,000	81.00		-	06/06/2023
06.06.0218	54,000			7,500	81.00		46,500	06/06/2022
28.01.2019		93,000			15.00		93,000	2022/2023
28.06.2019		225,000			2.63		225,000	2022/2023
Total	**164,000**	**318,000**	-	**75,000**		-	**407,000**	

Adjusted for 2019 reverse share split 1:20

Variables in the model for the allotment of options	2019	2018
Expected life	1-3 Year	1-3 Year
Risk free interest	*0,92% - 1,23%*	*0,92% - 1,15%*
Volatility	*91,2% - 107,9%*	*91,2% - 107,9%*

The fair value of the options has been calculated using Black & Scholes option-pricing model.
The average fair value of the options granted in is in 2019 is TUSD 1 222 (2018: TUSD 1 054).

Share based payments compensated to key management are as follows:

Current Board end management team	*Number of options on 01.01.2019*	*Granted JANUARY and/or JUNE 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
Thomas Christensen		100,000			8.81		100,000	2022/2023
Kari Mette Toverud		43,000			7.81		43,000	2022/2023
Hans Ola Håvelsrud		50,000			8.81		50,000	2023
Kris Gram		25,000			2.63		25,000	2022/2023
Geir Johansen		50,000			2.63		50,000	28/06/2023
James Haft		50,000			2.63		50,000	28/06/2023
Total	-	**318,000**	-	-			**318,000**	

Adjusted for 2019 reverse share split 1:20

2018 Board and management team	*Number of options on 01.01.2019*	*Granted JANUARY and/or JUNE 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
Cecilie Grue	65,000			42,500	76.20		22,500	06/06/2023
Frode Aschim	18,000				81.00		18,000	06/06/2022
Kim Andre Evensen	45,000			25,000	61.18		20,000	06/06/2023
Lars Christian Beitnes	18,000			7,500	81.00		10,500	06/06/2022
Mona Lynne Eitzen	18,000				81.00		18,000	06/06/2022
Total	**164,000**	-	-	**75,000**			**89,000**	

Adjusted for 2019 reverse share split 1:20

09 Remuneration of Auditors

(USD '000)	**2019**	**2018**
Statutory audit	153	93
Other assurance services	-	-
Tax advisory	9	42
Other services		
Total	**162**	**135**

Amounts excluding VAT

10 Other operating expenses

(USD '000)	**2019**	**2018**
Travel and transportation cost	64	399
Marketing and investor relations	92	162
Hire and rent expenses	-	-
Consultancy fees	1,651	1,638
IT expenses	20	143
Depreciation	4	78
Other operating costs	283	476
Total	**2,114**	**2,896**
Of which is related to discontinued operations		-325
Other Operating Costs	**2,114**	**2,571**

11 Financial income and expenses

(USD '000)	**2019**	**2018**
Interest from financial investments		
Interest Income	435	207
Financial income	**435**	**207**
Interest cost	-3	-36
Other financial costs	-6,522	-9,041
Net realized foreign exchange losses	-24	-6
Net unrealized foreign exchange losses	-	-
Financial costs	**-6,549**	**-9,083**
Net financial items	**-6,114**	**-8,876**

The Group has recorded interest income arising from the Group's investment in convertible notes issued by Ambershaw Metallics Inc.

The Group has recorded financial expenses related to convertible note facility issued by Alpha Blue Ocean Inc, and warrants issued related to the same facility.

12 Tax

Reconciliation between nominal and actual tax rate, continued operations (USD)	**2019**	**2018**
Loss before tax	-9,217	-13,069
Expected income tax based on nominal tax rate	-2,120	-3,006
permanent differences	820	1,253
Teporary differences	-124	-1,000
Change in non recognized tax assets	-292	-252
Actual reccognized tax expense continued operations	-	-

Annual expiration of tax loss carried forward:

(USD '000)	*2019*	*2020*	*2021*	***Sum***	**Indefinite**	**Total**
Tax loss carried forward	770	661	1,524	2,954	45,572	48,527

As of 31 December 2019, there are no deferred tax liability in the balance sheet.

The Group's temporary differences related to the following items:

(USD '000)	**2019**	**2018**
Tangible assets	-21	-26
Other provisions	-31	-84
Tax loss carried forwards	-48,527	-48,527
Pensions	-19	-19
Unrealized foreign currency gain/-losses	-1,527	-1,527
Long term receivables and liabilities in foreign currencies	18,374	17,893
Total future tax-increasing/-reducing differences	**-31,749**	**-32,289**
Of which is future tax-increasing/-reducing differences related to continuing operations	-27,250	-27,790
Of which is future tax-increasing/-reducing differences related to discontinued operations	-4,500	-4,500

Off-balancesheet deferred tax assets	**7,345**	**7,464**
Of which is off-balancesheet deferred tax assets related to continuing operations	5,995	6,114
Of which is off-balancesheet deferred tax assets related to discontinued operations	1,350	1,350

13 Earnings per share

As of 31 December 2019, the Group has options and warrants outstanding which have a dilutive effect on the number of shares outstanding, however, the effect is not included in earnings per share as the Group has recorded losses for 2019.

(USD '000)	**2019**	**2018**
Loss for the year from continuing operations	-9,217	-13,069
Loss for the year from discontinued operations	-4,831	-854
Weighted average number of shares outstanding	18,774,277	92,996,015
Effect of potential diluted shares	-	-
Weighted average number of shares outstanding including dilution	18,774,277	92,996,015

(USD)	**2019**	**2018**
Basic and diluted earnings per share	-0.75	-0.15
Basic and diluted earnings per share - continued operations	-0.49	-0.14
Basic and diluted earnings per share - discontinued operations	-0.26	-0.01

14 Financial assets and financial liabilities

Financial assets and liabilities

USD ('000)	**2019**	**2018**
Other long-term receivables	3,562	-
Other short-term receivables	500	-
Other receivables	-	-
Convertible Loan Notes	-	5,034
Derivatives	-	1,132
Investments in fund units	53	1,086
Cash and Cash equivalents	2,886	1,878
Total financial assets	**7,001**	**9,130**
Trade payables	-119	-182
Derivatives	-	-
Total financial liabilities	**-119**	**-182**

	2019		**2018**	
USD ('000)	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Other long-term receivables	3,562	4342	-	-
Other short-term receivables	500	500	-	-
Convertible Loan Notes	-	-	5,034	5,034
Derivatives	-	-	1,132	1,132
Investments in fund units	53	53	1,086	1,086
Cash and Cash equivalents	2,886	2,886	1,878	1,878
Total financial assets	**7,001**	**7,781**	**9,130**	**9,130**

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	31/12/2019	-	-	2,271
Assets measured at amortized cost	31/12/2019	-	1,791	-
Convertible loan notes	31/12/2019	-	-	-
Derivatives	31/12/2019	-	-	-
Investments in fund units	31/12/2019	-	53	-
Liabilities measured at fair value				
Convertible notes	31/12/2018	-	-	-
Derivatives	31/12/2018	-	-	-
		-	1,844	2,271

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	31/12/2018	-	-	5,034
Derivatives	31/12/2018		1,132	
Investment in fund units	31/12/2018	-	1,086	-
		-	2,218	5,034

Financial risk management

The Group is exposed to several types of financial market risk arising from its normal business activities:

- Credit risk
- Liquidity risk
- Market risk
- Equity risk

The corporate management monitors the Group's most important financial risks and assesses whether measures are required to reduce a specific risk if a need to do so is identified.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk related to bank deposits is considered limited as the Group uses only banks that international credit rating firms consider having high creditworthiness. A large proportion of the Group's cash is placed with DNB Bank in Norway.

The Group is exposed to credit risk related to the loans extended by the Group as a part of the sale and restructuring of the assets in AMI. More specifically, to the promissory note issued to Eardly as well as the two term loans issued to AMI. The company is exposed to the risk that AMI is not repaying the two term loans, where one is due on 31. July 2019 and the other is due (including all accrued interest) in December 2024. The promissory note issued to Eardly is due in December 2024. The company is entitled to receive financial reports from AMI on a regular basis which helps the Group to assess the risk of not being repaid at maturity. There is no interest to be received on an y of the loans as all interest falls due at the maturity date of the loans. Both the term loans have a security package which includes fixed and floating charges over all assets in AMI. The promissory notes are secured by the AMI shares (27,6%) owned by Eardly.

Liquidity risk

Liquidity risk is the risk that the Group being unable to fulfil its financial obligations when they fall due. Cash management shall ensure there is enough available cash to fulfil the Group's obligations without involving unacceptable losses.

On 06 May 2018, the Group entered a convertible bond facility with Alpha Blue Ocean Inc. Under the Convertible Note Facility Element may draw ten 10 tranches (each a "Tranche") of 50 MNOK in convertible bonds over a period of four years. In October 2019 ABO and Element agreed to terminate the remaining tranches of the convertible facility. At the time of termination Element had drawn and ABO had converted a total of NOK 125 million under the facility.

Element considers that it has enough cash available to pay for all administrative expenses for the next 12 months. If the Group decides to make significant investments, Element will have to issue shares to fund such investment. There is always a risk that the equity markets would not be available to Element and that any investment therefore could not be funded.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and equity prices will affect the Group's holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The loans extended as a part of the AMI restructuring, allows Element to sell parts or all the loans to a third party. There is a risk that Element would not be able to sell the loans if the credit markets have moved negatively at the time that Element wanted to sell the loans.

Foreign currency risk

The Group is exposed to currency risk relating to costs, receivables and liabilities in currency other than the functional currencies for its entities, which are NOK and PHP. Foreign exchange transactions are mainly in USD. At present, the Group does not utilise financial instruments to handle its currency risk.

The Group 's balance sheet is exposed to exchange rate movements between the functional currencies and the presentation currency (USD). Most of the Group's cash and cash equivalents are in NOK.

The following table shows the exposure of the Group's main financial assets in currencies other than the presentation currency.

	Accounting Currency NOK (000)	NOK/USD 31.12.19	Carrying Amount USD (000)	Effect of +/- % change in USD/NOK rate in USD (000)
NOK	490	8.7840	56	+/- 5.6

The table above shows the effect on the Group's equity as of 31 December 2019 if the specified currencies had appreciated/depreciated by 10% and all other variables remained constant.

Equity price risk

The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and the group has limits on individual and total equity instruments. Results on the equity portfolio are reviewed by the Group's management on a regular basis. The Group's Board of Directors reviews and approves all changes in equity investments.

15 Discontinued operation/Assets held for sale

The Group has since 2015 actively tried to sell the Mindoro Nickel Project without successfully closing a sales transaction. During 2019 the Group has been restructuring and as part of this process actively marketed the Philippine assets for sale. Through 2019 several interested parties have been and still are in discussion with Element regarding a purchase of all the legal entities controlled by Element in Mindoro, Philippines. The Mindoro Nickel Project is therefore considered as *held-for-sale* and has been reported as such since 2015. Further, as this has been considered to represent a major line of business, this will be classified as *Discontinued operation.*

Statement of profit and loss from discontinued operations

(USD '000)	***2019***	***2018***
Other Revenue	-8	-
Exploration and evaluation costs	-89	-20
Salary and social security cost	-364	-340
Other Operating expenses	-4,371	-325
Operating loss	**-4,831**	**-686**
Financial income	-	-
Financial costs	-	-
Net financial items	-	-
Loss before tax	**-4,831**	**-686**
Deferred tax expense	-	-168
Loss after tax	**-4,831**	**-854**
Loss for the period	**-4,831**	**-854**

Assets and liabilities related to discontinued operations

(USD '000)	***2019***	***2018***
ASSETS		
Exploration and evaluation assets	0	5,328
Property, pland and equipment	0	5
Total non-current assets	**0**	**5,333**
Other receivables	0	52
Other financial assets	0	83
Cash and cash equivalents	64	250
Total current assets	**64**	**385**
TOTAL ASSETS	**64**	**5,718**
LIABILITIES		
Deferred tax	202	195
Other long term liabilities	0	0
Total long term liabilities	**202**	**195**
Trade payables	166	182
Other current liabilities	161	1,842
Total current liabilities	**327**	**2,024**
TOTAL LIABILITIES	**529**	**2,219**

Statement of cash flow for continued and discontinued operations

	2019		**2018**	
(USD '000)	**Cont.**	**Discont.**	**Cont.**	**Discont.**
Profit/-loss for the year	-9,217	-4,831	-13,068	-854
Non-cash items	5,266	3,926	7,660	
Changes in working capital	123	-148	-1,312	296
Cash flow from operating activities	**-3,828**	**-1,053**	**-6,720**	**-558**
Investment activities				
Net expenditure on property, plant and equipment	-		-8	
Equity accounted investments	-		-2,915	
Investment in other financial assets	2,624	-	-6,708	-
Cash flow from investment activities	**2,624**	-	**-9,631**	-
Financing avtivities				
Proceeds from new shares issued	1,035		15,230	
Repurchase of shares	-80	-	-253	-
Cash flow from financing activities	2,250		-	
Cash flow from financing activities	**3,205**	-	**14,977**	-
Net change in cash and cash equivalents	**2,001**	**-1,053**	**-1,374**	**-558**
Cash and cash equivalents at the start of the period	1,878	250	2,618	90
Transferred from cont. To Discont. Operations	-632	632	-919	919
Translation effects	-71	-54	1,552	-201
Cash and cash equivlents at the end of the period/year	**3,175**	**-225**	**1,878**	**250**

16 Other receivables

Other receivables as of 31 December:

(USD '000)	**2019**	**2018**
Advance payments	0	1,308
Other short term receivables	104	304
Loan to employee	-	20
Total other receivables	**104**	**1,632**

17 Cash and cash equivalents

(USD '000)	**2019**	**2018**
Cash and bank deposits	2,843	1,494
Restricted bank deposits	42	384
Total cash and cash equivalents in the statement of financial position	**2,886**	**1,878**
Cash and cash equivalents related to discontinued operations	64	250
Cash and cash equivalents in the statements of cash flow	**2,950**	**2,128**

18 Share capital and shareholder information

As of 31 December 2019, Element ASA had a share capital of NOK 30,038,843 comprising 18,774,277 shares with a par value of NOK 1.60. All shares have equal voting rights and rights to dividends from the Company. All shares are fully paid.

On 31 December 2019 the Company held 197,237treasury shares. The Group cannot vote and has no right to dividends from treasury shares.

20 largest shareholders 31.12.2019	*Number of shares*	*Ownership in % of total shares*
1 Hope For More AS	2,650,000	14.12%
2 Alpha Blue Ocean Inc.	2,608,551	13.89%
3 Rikard Arne Storvestre	634,720	3.38%
4 Element ASA	486,126	2.59%
5 Erik Bjønness	379,600	2.02%
6 Auplata SA	375,000	2.00%
7 Simba AS	374,171	1.99%
8 Nordnet Bank AB	372,385	1.98%
9 Pro AS	371,764	1.98%
10 Kim Jarle Haugstad	311,123	1.66%
11 Sørinvest AS	258,334	1.38%
12 WIPS AS	200,000	1.07%
13 Dedekam Holding AS	170,050	0.91%
14 Bjørnar Fløystad	155,555	0.83%
15 Arild Westmoen	151,500	0.81%
16 Silvercoin Industries AS	132,205	0.70%
17 Nordnet Livsforsikring AS	131,082	0.70%
18 Arild Bettum	128,199	0.68%
19 Gunnar Dagfinn Kjærvik	125,000	0.67%
20 Joachim Stålsett Holm	116,305	0.62%
Other	8,642,607	46.03%
Total shares	**18,774,277**	**100.00%**

Shares Element ASA owned by corporate management and board members as of 31 December 2019:

Name	*Position*	*Shares*	*Options*	*Warrants*	*CFDs*
Thomas Christensen	Chairman of the board	400,000	100,000		-
Kari Mette Toverud	Member of the board	28,412	43,000		-
Kris Gram	Member of the board		25,000		-
James Haft	Consultant		50,000		
Geir Johansen	CEO		50,000		-
Hans Ola Haavelsrud	COO		50,000		-
Total		**428,412**	**318,000**	-	-

The 400,000 shares held by Mr. Christensen are held through his company Easy2connect AS.

20 Trade payables, other current liabilities, and non-interest-bearing financial liabilities

(USD '000)	**2019**	**2018**
Trade Payables	**119**	**261**
Public duties payable	102	179
Accrued operating expenses	38	384
Provisions and contingent liabilities	-	-
Total other current liabilities	**141**	**563**

21 Transactions with related parties

On 22 October 2019 Element entered in to a share borrowing agreement for 400 000 ELE shares with Easy2connect AS, a company controlled by the chairman of Element ASA. The shares were redelivered to Easy2connect AS on 17 February 2020. Element paid a fee for the borrowed shares equal to 0,5% of the monthly borrowed amount, calculated as the monthly average daily WVAP multiplied with number of shares borrowed multiplied by 0,5%.

The 2019 annual general meeting approved that the Company enter into a 12-month framework agreement with ProCorp AS whereby the Company may purchase consultancy services within the ordinary operations of the Company from ProCorp AS. The services will be based on an agreed upon and market term hourly rate, and/or a market term fixed price for certain pre-defined assignments, and otherwise be on terms and conditions that is customary for these kinds of agreements.

Each of the Directors of the Board will be compensated at an hourly rate of NOK 1700 for work performed over and beyond what regular director duties normally would demand.

22 Subsequent events

No significant company events have taken place since the balance sheet date. However, the COVID-19 virus which has spread across the world during first and second quarter of 2020 represents operational, financial, and administrative challenges to both large and small businesses throughout the world. The immediate effect on Element has been insignificant since there is only limited activities ongoing in the Group now. The Group does however realize that the process related to sale of assets in Philippines has slowed down due to the lock-down order currently in effect in large part of the Philippines. Apart from this there are no operational disturbances noticed in the Group.

Parent company financial statements

Statement of profit and loss

(NOK '000)	*Note*	**2019**	**2018**
Other Revenue	3	1,383	-
Net loss from associated company	4	-50,555	-3,253
Exploration and evaluation costs		-	-
Salary and social security cost	5, 6, 7	-10,061	-10,034
Other Operating expenses	6, 8	-18,403	-20,867
Operating loss		**-77,636**	**-34,154**
Interest income	9	17	1,691
Interest expense	9	-28	-290
Other financial income	9	3,786	-
Other financial costs	9	-58,110	-73,832
Net currency gain/-loss	9, 11	560	8,317
Net financial items		**-53,774**	**-64,114**
Loss before tax		**-131,410**	**-98,268**
Tax on ordinary profit/-loss	10	-	-
Loss for the year		**-131,410**	**-98,268**
Allocation of profit/-loss:			
Transferred to/-from other equity		-131,410	-98,268

Statement of financial position

(NOK '000)	*Note*	**2019**	**2018**
ASSETS			
Furnitures, fixtures, etc		75	90
Equity accounted investments	4	-	26,699
Investment in subsidary companies	12	4,300	60
Other receivables	14	31,275	-
Loans to subsidiaries	14	461	39,422
Total non-current assets		**36,112**	**66,271**
Investments in financial assets	9, 11, 12	-	63,280
Other receivables	15	5,322	12,975
Cash and cash equivalents	16	25,316	16,330
Total current assets		**30,639**	**92,585**
TOTAL ASSETS		**66,750**	**158,856**
EQUITY			
Share capital	18	29,723	10,351
Share premium reserve	18	499,925	488,770
Other paid in capital	18	285,231	285,231
Total equity		**814,879**	**784,351**
Other equity		-754,280	-632,704
Total retained earnings		**-754,280**	**-632,704**
TOTAL EQUITY		**60,600**	**151,647**
LIABILITIES			
Other long term liabilities	19	-	-
Total long term liabilities		**-**	**-**
Trade payables		1,042	2,276
Public duties payable		-	1,558
Derivatives	9	-	-
Other current liabilities	19	5,110	3,376
Total current liabilities		**6,151**	**7,209**
TOTAL LIABILITIES		**6,151**	**7,209**
TOTAL EQUITY AND LIABILITIES		**66,750**	**158,856**

Oslo, 29 April 2020, Board of Directors, Element ASA

Kari Mette Toverud
Board Member

Thomas Christensen
Chairman of the Board

Kris Gram
Board Member

Geir Johansen
CEO

Statement of cash flows

(NOK '000)	*Note*	**2019**	**2018**
Operating activities			
Profit/-loss for the year		-131,410	-98,268
Non-cash expenses		49,334	66,843
Change in trade and other receivables		34,352	-9,120
Change in trade payables and other current liabilities		4,893	-8,823
Changes in other long term liabilities		-	-
Recognized expenses settled in options and shares		-0	-
Non-cash impairment of financial assets		-	-
Cash flow from operating activities		**-42,831**	**-49,368**
Investment activities			
Net expenditure on property, plant and equipment		15	-64
Change in long term group receivables		1,734	-6,064
Investment in financial assets		21,540	-80,326
Cash flow from investment activities		**23,289**	**-86,454**
Financing avtivities			
Capital increase		28,528	132,898
Repurchase of shares		-	-2,209
Cash flow from financing activities		**28,528**	**130,689**
Net change in cash and cash equivalents		8,985	-5,134
Cash and cash equivalents at the start of the period		16,330	21,464
Cash and cash equivlents at the end of the period/year		**25,316**	**16,330**

Notes to the financial statements

01 General information

Element ASA is an international mining company focusing on exploration and evaluation of metals and minerals. The Company is the parent company of the Element Group and has early phase exploration and evaluation projects in Norway.

The Company was listed on Oslo Stock Exchange on 21 December 2006. A list of the largest shareholders as at 31 December 2019 is presented in note 16 *Share capital and shareholder information*. The Company had two employees at the end of 2019.

02 Basis for preparation

This set of financial statements comprises the parent company accounts for Element ASA only, and has been prepared in accordance with the Accounting Act of 1998 and the generally accepted accounting principles in Norway (NGAAP).

The consolidated financial statements of Element ASA as of 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and are presented in a separate section of this financial statements.

Going Concern

The annual accounts have been prepared based on the going concern assumption in accordance with section 3-3a of the Norwegian Accounting Act. This is based on the Company's plans, budgets and level of activity going forward.

As of 31 December 2019, the Company had cash and cash equivalents in the amount of NOK 25,316 thousand, which is enough to cover the Company's operating expenses and liabilities for the 12 months following the end of year. Any new significant investments would need to be funded separately. As the Group has terminated the convertible loan facility with ABO/EHGF the Company can no longer rely on this facility for funding of new investments and would have to resort to issuing shares as funding of any significant investments. Note that the expected investment schedule is not an obligation on the Group.

Use of estimates

The preparation of the financial statements is based on available information at the time of finalizing the annual accounts. Actual results/outcome may differ from the estimates. The effects of changes in accounting estimates are accounted for in the same period as the estimates are changed.

Key areas of judgments, assumptions and estimates at the balance sheet date, which have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in its respective note.

03 Accounting principles

3-1 Currency

The accounts for the parent company are reported in NOK and rounded to the nearest thousand. Transactions in foreign currencies are recorded at monthly average exchange rates that correspond to market exchange rates.

Monetary items in foreign currencies are recorded at the year–end exchange rates. Currency gains/losses are recognised as financial items.

As of 31 December 2019 the exchange rate for the most important currency, USD, was 8.78 (31 December 2018: NOK/USD 8.72).

3-2 Revenue recognition

The company does not have any commercial operations as at 31 December 2019.

3-3 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 22% percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized. Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

3-4 Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.
Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.
Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

3-5 Cash and cash equivalents

Bank deposits, cash and cash equivalents comprise cash, bank deposits and other liquid assets with an original maturity of three months or less.

3-6 Subsidiaries and investment in associates

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period.
Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

3-7 Share capital and shareholder information

Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of ordinary shares are recognised as a reduction in equity (share premium reserve).

Dividend distributions to the shareholders of the Company are classified as liability from the date on which the dividend is adopted by the general meeting.

3-8 Provision and contingent liabilities

Provisions are recognised when, the Company 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.
Provisions are measured at the best estimate for the outflow necessary to settle the obligation at the date of the balance sheet. The amount is discounted to present value if the interest effect is material.

3-9 Transactions with related parties

Two parties are regarded as related if one of the parties exercises significant influence over the other party’s strategic or operational management.

Related parties during the accounting period were the Company's board and management and subsidiaries. All transactions between related parties are based on the arm's length principle (estimated fair market value).

3-10 Intercompany balances - receivables

Long-term loans are recognised at the nominal value received when the loans were established. The borrowing capacity of the subsidiaries are tested on a yearly basis.

3-11 Employee benefits

Pension obligations

The Group has a defined contribution plan for its employees in Norway. A defined contribution plan is a pension arrangement where a fixed yearly contribution is paid to a pension fund. The Group has no legal or constructive obligation to pay further contributions. Compulsory contributions are recognised as personnel costs as they arise.

Share based payment

The Group has share-based programs for the executive management and board members. The programs are measured at fair value at the date of the grant. The share option program is settled in stocks. The fair value of the issued options is expensed over the vesting period which in this case is over the agreed-upon future service time.

The cost of the employee share-based transaction is expensed over the average vesting period. The value of the issued options of the transactions that are settled with equity instruments (settled with the company's own shares) is recognised as salary and personnel cost in profit and loss and in other paid-in capital.

Social security tax on options is recorded as a liability and is recognised over the estimated vesting period.

3-12 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

04 Investments in associates

Ambershaw Metallics Inc

AMI is a metals and mining company incorporated under the laws of the Province of British Columbia, Canada. AMI is majority owned by Legacy Hill Resources and it has specific experience in magnetite mining and pelletizing technology.

Since December 2016, the Group has held an option to acquire 51% of AMI through a combination of paid in capital and a final share swap. As of 31 December 2018, Element held 26,7% of the shares in Amber Shaw Metallics Inc (AMI) with value of USD 3 060 thousand.

On 20 December Element sold all its 7,890,727 shares in AMI, corresponding to 26.7% of total shares outstanding, for USD 1.5 million. The purchase price was settled by the buyer, Eardley Settlement Ltd., by issuing a promissory note to Element at closing date.

05 Personnel expenses

(NOK '000)	**2019**	**2018**
Payroll expenses	6,890	5,115
Social security costs	986	570
Pension costs	276	238
Costs related to options granted to employees and directors	1,850	4,004
Other personnel costs	60	106
Expensed salaries and personell costs	**10,061**	**10,034**
Of which are allocated to other group companies	0	-
Average number of full time equivalents	3.0	3.0

06 Remuneration of executive management, board of directors and auditors

Remuneration to management 2019 in (NOK '000)	*Salary*	*Benefits in kind*	*Bonus*	*Pension cost*	*Total*
Geir Johansen, CEO	1,427	4	-	-	1,431
Cecilie Grue	1,222	4	-	114	1,340
Hans Ola Haavelsrud, COO	1,458	5	-	111	1,574
Kim Andre Evensen, VP Finance and Accounting	674	2	-	51	727
Total remuneration to management	**4,781**	**15**	-	**276**	**5,072**

Corporate Group Management 2018

Remuneration to management 2018 in (NOK '000)	*Salary*	*Benefits in kind*	*Bonus*	*Pension cost*	*Total*
Cecilie Grue, CEO	1,818	11	-	122	1,951
Hans Ola Haavelsrud, COO	417	1	100	36	554
Kim Andre Evensen, VP Finance and Accounting	1,191	30	-	80	1,301
Total remuneration to management	**3,426**	**42**	**100**	**238**	**3,806**

The share option program for corporate management is described in note 7 *Share-based payment*.

Remuneration to the Board of Directors

Remuneration of the Board of Directors consists of a fixed annual fee depending on the role in the board, as well as an agreement that the board members will be compensated at an hourly rate of NOK 1700 for work performed over and beyond what regular director duties normally would demand.

The members of the Board do not have agreements for severance pay. The election committee proposes the remuneration of the Board of Directors.

Remuneration to board of directors 2019 in (NOK '000)	**2019**	**2018**
Lars Christian Beitnes	41	417
Frode Aschim	198	322
Mona Lynne Eitzen	198	322
Per Johnny Bråthen	18	18
Jon Ola Frankplads	12	12
Thomas Christensen	957	-
Odd Aarhus	12	-
Nils Kristoffer Gram	175	-
Kari Mette Toverud	350	216
Total remuneration to the board of directors	**1,961**	**1,307**

Mrs. Cecilie Grue has a 12-month consulting agreement with the company to ensure her availability for the new management in case there are issues pertaining to prior periods where her knowledge is required. Under this agreement Mrs. Grue receives NOK 25 000 per month. The agreement will terminate in June 2020.

Mr. Lars Christian Beitnes had a consulting agreement with the Company which was terminated by the company on July 11, 2019.

Board members have been granted options. The share option program is described in more detail in note 7 *Share-based payment*.

Remuneration to auditor

(NOK '000)	**2019**	**2018**
Statutory audit incl. Technical assistance with financial statements	1,280	716
Other assurance services	-	-
Tax advisory	83	345
Other services		
Total remuneration to auditors	**1,364**	**1,061**

Amounts excluding VAT

07 Shared-based payment

The company has a share option programme covering certain employees in senior positions and board members.
Fair value of the options is measured using the Black–Scholes pricing model. Fair value of the share options is based on fair value at the grant date. Risk free interest rate is correspondingly set to interest level at the grant date. Volatility is equivalent to the 3-year annualized volatility starting on the grant date. Share option costs are recorded directly to equity according to the vesting schedule of the individual share option grants.

Social security expense on options is recognised over the estimated vesting period. The social security expense is calculated using the appropriate tax rate on the difference between the market price and the exercise price for the shares at the balance sheet date.

Grant date	*Number of options on 01.01.2019*	*Granted 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
06.03.2017	20,000		-		36.40		20,000	14/12/2021
15.11.2017	30,000			7,500	39.00		22,500	14/12/2021
06.06.0218	60,000			60,000	81.00		-	06/06/2023
06.06.0218	54,000			7,500	81.00		46,500	06/06/2022
28.01.2019		93,000			15.00		93,000	2022/2023
28.06.2019		225,000			2.63		225,000	2022/2023
Total	**164,000**	**318,000**	-	**75,000**		-	**407,000**	

Adjusted for 2019 reverse share split 1:20

Variables in the model for the allotment of options	2019	2018
Expected life	1-3 Year	1-3 Year
Risk free interest	*0,92% - 1,23%*	*0,92% - 1,15%*
Volatility	*91,2% - 107,9%*	*91,2% - 107,9%*

The fair value of the options has been calculated using Black & Scholes option-pricing model.
The average fair value of the options granted in is in 2019 is TUSD 1 222 (2018: TUSD 1 054).

Share based payments compensated to key management are as follows:

Current Board end management team	*Number of options on 01.01.2019*	*Granted JANUARY and/or JUNE 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
Thomas Christensen		100,000			8.81		100,000	2022/2023
Kari Mette Toverud		43,000			7.81		43,000	2022/2023
Hans Ola Håvelsrud		50,000			8.81		50,000	2023
Kris Gram		25,000			2.63		25,000	2022/2023
Geir Johansen		50,000			2.63		50,000	28/06/2023
James Haft		50,000			2.63		50,000	28/06/2023
Total	-	**318,000**	-	-			**318,000**	

Adjusted for 2019 reverse share split 1:20

2018 Board and management team	*Number of options on 01.01.2019*	*Granted JANUARY and/or JUNE 2019*	*Excerxised during year*	*Forfeited during the year*	*Average strike price*	*Average strike price excercised options*	Remaining share options 31.12.2019	*Expiry date*
Cecilie Grue	65,000			42,500	76.20		22,500	06/06/2023
Frode Aschim	18,000				81.00		18,000	06/06/2022
Kim Andre Evensen	45,000			25,000	61.18		20,000	06/06/2023
Lars Christian Beitnes	18,000			7,500	81.00		10,500	06/06/2022
Mona Lynne Eitzen	18,000				81.00		18,000	06/06/2022
Total	**164,000**	-	-	**75,000**			**89,000**	

Adjusted for 2019 reverse share split 1:20

08 Other operating costs

(NOK '000)	**2019**	**2018**
Travel and transportation cost	562	1,421
Marketing and investor relations	810	3,459
Hire and rent expenses	-	-
Consultancy fees	14,397	15,313
IT expenses	179	143
Depreciation	35	37
Other operating costs	2,420	494
Total	**18,403**	**20,867**

09 Financial income and expense

(USD '000)	**2019**	**2018**
Interest from financial investments		
Interest Income	17	1,691
Other financial income	3,786	-
Net unrealized foreign exchange income	635	8,367
Financial income	**4,438**	**10,058**
Interest expences	-28	-290
Other financial costs	-58,110	-73,832
Net realized foreign exchange losses	-75	-50
Net unrealized foreign exchange losses	-	-
Impairment of financial assets	-	-
Financial costs	**-58,212**	**-74,173**
Net financial items	**-53,774**	**-64,114**

10 Tax

(NOK '000)	**2019**	**2018**
Tax expense for the year are as follows:		
Income tax payable for the period	-	-
Change in deferred tax assets	-	-
Tax on ordinary profit	-	-
Reconciliation between nominal and actual tax rate		
Loss before tax	**-131,410**	**-98,268**
Expected income tax based on nominal tax rate	**-28,910**	**-22,602**
Tax effect from the following items:		
Non-deductible costs	**31,118**	**47,525**
Effect of change in tax rate	-	-
Change in tax rate from 24% to 23'%	-	-
Actual recognized tax expense	-	-
Reconciliation between loss before tax and taxable loss:		
Loss before tax	**-131,410**	**-98,268**
Permanent differences	**31,118**	**47,525**
Changes in temporary differences	**-4,712**	**-43,836**
Correction of change in temproray differences from prior period	**-33,218**	**5,906**
Increase in tax loss carried forward	**138,222**	**88,673**
Taxable loss for the period	-	-

(NOK '000)	**2019**	**2018**
Tangible assets	-180	-226
Other provisions	-266	-734
Long term receivables and liabilities in foreign currencies	160,326	156,128
Tax loss carried forwards	-434,168	-383,070
Total tax-increasing/-reducing differences	**-274,288**	**-227,902**
Deferred tax assets	60,343	50,138
Off balance sheet deferred tax assets	60,343	50,138

11 Financial market risk

The Company is exposed to several types of financial market risk arising from its normal business activities:

- Credit risk
- Liquidity risk
- Market risk

The corporate management monitors the Company's most important financial risks and assesses whether measures are required to reduce a specific risk if a need to do so is identified.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Most of the Company's financial assets are bank deposits and other receivables.

Credit risk related to bank deposits is considered limited as the Company uses only banks that international credit rating firms consider having high creditworthiness. A large proportion of the Group's cash is placed with DNB Bank in Norway.

The Company is exposed to credit risk related to the loans extended by the Company as a part of the sale and restructuring of the assets in AMI. More specifically, to the promissory note issued to Eardly as well as the two term loans issued to AMI. The Company is exposed to the risk that AMI is not repaying the two term loans, where one is due on 31. July 2019 and the other is due (including all accrued interest) in December 2024. The promissory note issued to Eardly is due in December 2024. The company is entitled to receive financial reports from AMI on a regular basis which helps the Company to assess the risk of not being repaid at maturity. There is no interest to be received on an y of the loans as all interest falls due at the maturity date of the loans. Both the term loans have a security package which includes fixed and floating charges over all assets in AMI. The promissory notes are secured by the AMI shares (27,6%) owned by Eardly.

Liquidity risk

Liquidity risk is the risk that the Company being unable to fulfil its financial obligations when they fall due. Cash management shall ensure there is enough available cash to fulfil the Company's obligations without involving unacceptable losses.

On 06 May 2018, the Company entered a convertible bond facility with Alpha Blue Ocean Inc. Under the Convertible Note Facility Element could draw ten 10 tranches (each a "Tranche") of 50 MNOK in convertible bonds over a period of four years. In October 2019 ABO and Element agreed to terminate the remaining tranches of the convertible facility. At the time of termination Element had drawn and ABO had converted a total of NOK 125 million under the facility.

Element considers that it has enough cash available to pay for all administrative expenses for the next 12 months. If the Company decides to make significant investments, Element will have to issue shares to fund such investment. There is always a risk that the equity markets would not be available to Element and that any investment therefore could not be funded.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and equity prices will affect the Company's holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Price risk

The Company does not have any significant assets or liabilities which are exposed to price risk.

Foreign currency risk

The Company is exposed to currency risk mainly relating to receivables in currency other than the functional currencies, which are NOK. Foreign exchange transactions are mainly in USD. At present, the Company does not utilise financial instruments to handle its currency risk.

(NOK '000)	*Amount in currency*	*NOK/USD 31.12.2019*	*Carrying amount*	*Effect of a ±10% change in NOK/USD*
Gross receivables	4,343	8.78	38,136	± 3,814
Carrying amount of receivables	4,343	8.78	38,136	± 3,814

The table shows the effect on the company's equity as at 31 December 2019 if the specified currencies had appreciated/ depreciated by 10% and all other variables remained constant.

13 Investments in subsidiaries

(NOK '000)	*Registered office*	*Direct ownership voting share*	*Year of acquisition*
Molynor AS	Oslo	100%	2007
Mindoro Nickel AS	Oslo	100%	2007
Element Asset Holding AS	Oslo	100%	2018
Element Digital Ventures AS	Oslo	100%	2018
PALCapital Ventures Inc.	Delaware, USA	100%	2019

(NOK '000)	Acquisition cost	Capital increase 2011	Impair-ment 2018	Carrying value 31.12.2018	Impair-ment 2019	Carrying value 31.12.2019
Molynor AS	120	8,000	-	-	-	-
Mindoro Nickel AS	518	-	-	-	-	-
Element Asset Holding AS	30	-	-	30	-	30
Element Digital Ventures AS	30	-	-	30	-	30
PALCapital Ventures Inc.	4,240	-	-	-	-	4,240
Total Carrying value	**4,938**	**8,000**	-	**60**	-	**4,300**

The Company has loans to Philippine and Norwegian subsidiaries. Please refer to note 14 *Intercompany balances - receivables* for further details.

14 Intercompany balances - receivables

The long-term receivables to Philippine subsidiaries, are denominated in USD, and have been revaluated to the exchange rate at the balance sheet date.

(NOK '000)	**2019**	**2018**
Molynor AS	3,982	3,921
Mindoro Nickel AS	899	890
Intex Resources Phils Inc	489,629	482,715
Aglubang Mining Corp	145,766	141,588
Alagag Mining Inc.	777	771
Shapa Holding Corp.	529	525
Element Asset Holding AS	73	73
Pal Capital	461	-
Impairment	-641,655	-591,063
Total carrying value	**461**	**39,422**

15 Accounts receivable and other short-term receivables

Other receivables as of 31 December 2019:

(NOK '000)	**2019**	**2018**
Short term receivables	932	1,566
AMI loan - current	4,390	-
Prepaid costs	-	11,409
Public duties	-	-
Total other receivables - current	**5,322**	**12,975**
AMI loan - non current	31,275	-
Total other receivables - non current	**31,275**	-

16 Cash and cash equivalents

(NOK '000)	**2019**	**2018**
Unrestricted cash and cash equivalents	24,945	*3,042*
Restricted bank deposits	371	13,287
Total cash and cash equivalents	**25,316**	**16,330**

17 Share capital and shareholder information

As of 31 December 2019, Element ASA had a share capital of NOK 30,038,843 comprising 18,774,277 shares with a par value of NOK 1.60. All shares have equal voting rights and rights to dividends from the Company. All shares are fully paid.

On 31 December 2019 the Company held 197,237 treasury shares. The Group cannot vote and has no right to dividends from treasury shares.

20 largest shareholders 31.12.2019	*Number of shares*	*Ownership in % of total shares*
1 Hope For More AS	2,650,000	14.12%
2 Alpha Blue Ocean Inc.	2,608,551	13.89%
3 Rikard Arne Storvestre	634,720	3.38%
4 Element ASA	486,126	2.59%
5 Erik Bjønness	379,600	2.02%
6 Auplata SA	375,000	2.00%
7 Simba AS	374,171	1.99%
8 Nordnet Bank AB	372,385	1.98%
9 Pro AS	371,764	1.98%
10 Kim Jarle Haugstad	311,123	1.66%
11 Sørinvest AS	258,334	1.38%
12 WIPS AS	200,000	1.07%
13 Dedekam Holding AS	170,050	0.91%
14 Bjørnar Fløystad	155,555	0.83%
15 Arild Westmoen	151,500	0.81%
16 Silvercoin Industries AS	132,205	0.70%
17 Nordnet Livsforsikring AS	131,082	0.70%
18 Arild Bettum	128,199	0.68%
19 Gunnar Dagfinn Kjærvik	125,000	0.67%
20 Joachim Stålsett Holm	116,305	0.62%
Other	8,642,607	46.03%
Total shares	**18,774,277**	**100.00%**

Shares Element ASA owned by corporate management and board members as at 31 December 2019:

Name	*Position*	*Shares*	*Options*	*Warrants*	*CFDs*
Thomas Christensen	Chairman of the board	400,000	100,000	-	-
Kari Mette Toverud	Member of the board	28,412	43,000	-	-
Kris Gram	Member of the board		25,000	-	-
James Haft	Consultant		50,000	-	-
Geir Johansen	CEO		50,000	-	-
Hans Ola Haavelsrud	COO		50,000	-	-
Total		**428,412**	**318,000**	-	-

The shares held by Mr. Thomas Christensen are held through Easy2connect AS, a company controlled by Mr. Christensen.

18 Equity

(NOK 1 000)	Share capital	Share premium fund	Other paid in capital	***Total paid-in capital***	Other equity	***Total equity***
	Attributable to equity holders of the parent					
Equity 1 January 2018	**5,244**	**363,188**	**285,231**	**653,663**	**-601,279**	**52,385**
Loss for the period	-	-	-	-	-98,268	**-98,268**
Total Income	-	-	-	-	**-98,268**	**-98,268**
Capital increase	5,206	127,692	-	132,898	-	**132,898**
Repurchase of shares	-99	-2,110		-2,209		**-2,209**
Share option costs	-	-	-	-	4,004	**4,004**
Warrants costs					56,350	**56,350**
Converted warrants	-	-	-	-	6,489	**6,489**
Total transactions with owners	**5,107**	**125,582**	-	**130,689**	**66,843**	**197,532**
Equity 31 December 2018	**10,351**	**488,770**	**285,231**	**784,351**	**-632,704**	**151,647**

(NOK 1 000)	Share capital	Share premium fund	Other paid in capital	***Total paid-in capital***	Other equity	***Total equity***
Equity 1 January 2019	**10,351**	**488,770**	**285,231**	**784,351**	**-632,704**	**151,647**
Loss for the period	-	-	-	-	-131,410	**-131,410**
Total Income	-	-	-	-	**-131,410**	**-131,410**
Capital increase	19,581	11,644		31,225	4,704	**35,929**
Repurchase of shares	-209	-489		-698		**-698**
Share option costs				-	2,131	**2,131**
Warrants costs				-	3,000	**3,000**
Converted warrants				-		**-**
Total transactions with owners	**19,372**	**11,155**	-	**30,527**	**9,835**	**40,362**
Equity 31 December 2019	**29,723**	**499,925**	**285,231**	**814,878**	**-754,281**	**60,600**

19 Provision and contingent liabilities

There are no contingent liabilities at 31.12.2019.

20 Transactions with related parties

On 22 October 2019 Element entered into a share borrowing agreement for 400 000 ELE shares with Easy2connect AS, a company controlled by the chairman of Element ASA. The shares were redelivered to Easy2connect AS on 17 February 2020. Element paid a fee for the borrowed shares equal to 0,5% of the monthly borrowed amount, calculated as the monthly average daily WVAP multiplied with number of shares borrowed multiplied by 0,5%.

The 2019 annual general meeting approved that the Company enter into a 12-month framework agreement with ProCorp AS whereby the Company may purchase consultancy services within the ordinary operations of the Company from ProCorp AS. The services will be based on an agreed upon and market term hourly rate, and/or a market term fixed price for certain pre-defined assignments, and otherwise be on terms and conditions that is customary for these kinds of agreements.

Each of the Directors of the Board will be compensated at an hourly rate of NOK 1700 for work performed over and beyond what regular director duties normally would demand.

21 Subsequent events

No significant Company events have taken place since the balance sheet date. However, the COVID-19 virus which has spread across the world during first and second quarter of 2020 represents operational, financial, and administrative challenges to both large and small businesses throughout the world. The immediate effect on Element has been insignificant since there are only limited activities ongoing in the Group now. The Group does however realize that the process related to sale of assets in Philippines has slowed down due to the lock-down order currently in effect in large part of the Philippines. Apart from this there are no operational disturbances noticed in the Group.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Company taken as a whole.

We also confirm to the best of our knowledge that the Board of Directors report includes a true and fair review of the development and performance of the business and the position of the entity and the Company, together with a description of the principal risks and uncertainties facing the entity and the Company.

Oslo, 29 April 2020, Board of Directors, Element ASA

Kari Mette Toverud	Thomas Christensen	Kris Gram
Board Member	*Chairman of the Board*	*Board Member*

Geir Johansen
CEO

Corporate Governance

1. Corporate governance

Element is required to report on corporate governance by section 3-3b of the Norwegian Accounting Act and by the Norwegian Code of Practice for Corporate Governance, ref. ongoing obligations for listed companies point 7. The Norwegian Code of Practice for Corporate Governance, last revised 17 October 2018, is available at www.nues.no.

This document addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the board of directors (the "Board"), the chief executive officer (the "CEO") and the Company's executive management team (the "Executive Management Team"). This document, which has been discussed and adopted by the Board, presents the main principles and guidelines for corporate governance at Element.

2. Values and ethical guidelines

Element is an international company, engaged in the acquisition and development of mineral resources. The Group's head office is in Oslo. Elements activities are based on our values: Exploration and development is done in a responsible manner. The Group's objective is to increase values for the shareholders and other interested parties, while continuing to seek new exploration and recovery projects. Element places emphasis on performing its activities within the framework of relevant legislation and regulations. We have a specific focus on health and safety and the environment and on safeguarding local culture, knowledge and expertise.

Element has ethical guidelines that describe the Group's principles, values, standards and rules for behaviour and govern the Group's decisions, procedures and systems in such a way that they contribute to the well-being of our main interests and respect the rights of all those affected by our activities.

Regarding the Group's social responsibility, please refer to the annual report for 2019, where the topic is covered.

3. Business

Elements business is defined in article 3 of the Company's articles of association. "The Company is engaged in trade, production, and other economic activity, hereunder participation in Norwegian and international companies."

Elements articles of association are available on our website: www.elementasa.com. The website will be updated on an ongoing basis with relevant information about the Company's activities and development.

During 2019 the Group has been through a restructuring process whereby all mining assets, except the Mindoro assets, have been sold or restructured. The Board has stated that a new strategy which is centred around investments in the digital economy and the Board plan to recommend to the 2020 AGM that this is reflected in Articles of Association.

4. Equity and dividends

The Board aims to maintain a capital structure suited to the Group's risk profile and providing enough financial flexibility to manage unforeseen situations.

The Company's objective is to generate a return for the shareholders at a level which is at least equal to other investment possibilities with comparable risk. The Company does not distinguish between such a return in the form of dividends and in the form of capital appreciation. Given the Company's current investment horizon and balance sheet structure, it is unlikely that the Group will pay dividend on a regular basis. This situation may change if one or more projects are sold or in other ways monetized, or a partnership is entered.

5. Equal treatment of shareholders and transactions with close associates

Element has only one class of share and all shares have the same rights in the Company. In situations where normal preferential rights shall be deviated from, the Company's board will prepare grounds for such a decision in accordance with the Norwegian Code of Practice for Corporate Governance and shall present these to the General Meeting. This will in turn be based on the joint best interests of the Company and the shareholders.

All Elements transactions in its own shares are performed on the stock exchange or otherwise at stock exchange prices. In the case of significant transactions between the Company and shareholders, board members and senior management or close associates of these, the Board will ensure that a valuation is performed by an independent third party. This does not apply if the General Meeting shall discuss the matter in accordance with the rules of the Public Limited Company Act. An independent valuation will also be obtained in the case of transactions between companies in the same group where one of the companies involved in the transaction has minority interests.

Element has guidelines to ensure that board members and senior management advise the Board if they have a direct or indirect significant interest in a transaction or agreement being entered into by the Group.

6. Freely negotiable shares

All shares in Element ASA are freely negotiable and the Company's articles of association do not contain any form of restriction on negotiability.

7. General meetings

The Board of Element will facilitate conditions for the shareholders to be able to exercise their rights by participating in the Company's general meetings and for the general meetings to be an effective meeting place for shareholders and the Board.

This means that:

- the notice for the general meeting shall be announced to shareholders no later than three weeks before the general meeting is held;
- all documentation for the general meeting shall be made available on the Company's web-site no later than three weeks before the general meeting;
- these documents shall be sufficiently detailed to allow shareholders to come to a decision on all items to be discussed;
- in order to register for participation at the general meeting the shareholder must be registered in the shareholders register three working days before the general meeting;
- shareholders who cannot attend themselves shall be given the opportunity to vote by proxy; and
- the chairman of the Board, the nominating committee and the auditor will be represented at the general meeting.

The General Meeting elects the members of the Board and the Company's external auditor. The annual General Meeting is held no later than 30 June each year. The notice of the General Meeting shall inform of the procedure shareholders must follow in order to participate and vote at the general meeting.

During 2019 Element conducted 4 extraordinary general meetings in addition to the annual general meeting.

8. Nominating Committee

Article 7 of Elements articles of association states that the Company shall have a nomination committee.

The nominating committee shall consist of three members, elected by the General Meeting for a period of up to two years. The nominating committee shall be composed in such a way as to safeguard the shareholders' interests. The committee members shall be independent of the board and of senior management. No more than one member of the nominating committee can be a board member who should not then stand for re-election. The CEO and other senior managers shall not be members of the committee. As of 31 December 2019, the nomination committee consisted of tree members.

The nominating committee proposes candidates for the Company's board and remuneration for board members. The nominating committee will explain the background for its proposals. Element informs who the members of the nominating committee are.

9. The board: composition and independence

Element is not required to have a corporate assembly. The board members are elected at the general meeting. The decision is taken by a simple majority. Board members are elected for a period of two years and may be re-elected.

The Company's articles of association state that the Board shall consist of minimum three and maximum eight members. The Board is composed in such a way that it can safeguard the shareholders' interests, as well as the Company's need for competence, capacity, and diversity. Attention has been paid to ensuring that the Board shall function as a collegial body.

The Board of Element currently consists of three members. Information about each of the board Members is in the Annual Reports of Element...

The members of the Board are issued options in Element (see point 12 below) and are encouraged to own shares. Information about board members' remuneration, the number of shares held in Element etc. is provided in the notes in the consolidated financial statements,

10. The work of the board

The Group's board is responsible for monitoring the Group's senior managers and the Group's strategic development and for ensuring that the interests of shareholders and other interested parties are safeguarded in a satisfactory manner.

The Group's board should determine an annual plan for its work, with emphasis on goals, strategy and implementation.

The Group's board shall:

- ensure that the Group is appropriately organised and that the Group's activities are carried out in accordance with prevailing legislation and regulations, the Group's objectives and articles of association and ethical guidelines, approve and monitor major business and financial strategies and their implementation and further approve key agreements and transactions;
- appoint a CEO and constantly evaluate his or her performance;
- establish a policy for remuneration to senior managers; and,
- ensure that the Group has good internal and external control routines and appropriate systems for risk management.

Element has established a clear distribution of responsibilities and duties between the Group's board and senior management. The chair of the Board is responsible for ensuring that the Group's board performs its tasks in an effective and correct manner.

The CEO is responsible for the Group's operations. The Group's board has laid down instructions for the CEO and these instructions define which decisions require the Board's approval.

The Group's board shall lead the Group's strategic planning. The Group has determined specific instructions (board instructions) and detailed rules for the Board's work and relevant procedures. Board meetings may take the form of physical or telephone meetings.

The Group is exempt from the requirement to have an audit committee due to the limited size of the balances sheet and the number of employees. The Board has decided that the full Board will act as the audit committee for the Group. This committee shall improve the Group's quality assurance of financial reporting and monitor the Group's internal control and risk management systems. The committee will also be in contact with the Group's elected auditor regarding auditing the Group's annual accounts, as well as monitoring the auditing Group's impartiality.

11. Risk management and internal control

The Group's board ensures that Element has good internal control and appropriate systems for risk management in relation to the nature and extent of the Group's activities. The internal control and systems also embrace the Group's basic values and ethical guidelines.

The framework for internal control includes routines to ensure that risks associated with the

Group's day-to-day operations are identified, analysed and managed routines to review the Group's commercial risk and operational risk routines for internal control of various processes, including compliance with guidelines, routines, instructions and authorisations

The Board of Element has through its meetings an overview of how risks develop in the Group, with a review of financial developments and administrative conditions. Element ASA has as of 1 January 2020 chosen to outsource periodic consolidation and reporting as well as accounting production for the Norwegian entities to BDO accounting services. This to ensure sufficient capacity and backup solutions, as well as providing wider access to knowledge and experience within the area of accounting. Element remains ultimately responsible for all accounting and reporting activities for the Group.

12. Remuneration of the board

Remuneration to board members is determined by the General Meeting, based on the nominating committee's recommendations. The remuneration reflects the Board's responsibility, skills and time spent and the complexity of the Group.

All board members have been granted share options. The share option program has been approved by the annual shareholders meeting. The company has chosen to Issue options to the Board members as an alternative to paying a higher remuneration to the Board.

Members of the Group's board and/or companies with which they are associated should not take on specific assignments for the Group in addition to serving on the Board. If a board member does however take on such an assignment, this must be reported to the Board as a whole. Remuneration for such additional obligations shall be approved by the Board. All remuneration to board members is described in detail in notes to the Group's accounts.

The board of directors have since the 2019 AGM been entitled to be compensated on an hourly rate basis for work performed over and beyond what is normally expected from the members of the Board. This has been done to compensate for the fact that the administration of the Group is very small and requires from time to time additional capacity and competence in the running of the company. On 22 October 2019 Element entered a share borrowing agreement for 400 000 ELE shares with Easy2connect AS, a company controlled by the chairman of Element ASA. The shares were redelivered to Easy2connect AS on 17 February 2020. Element paid a fee for the borrowed shares equal to 0,5% of the monthly borrowed amount, calculated as the monthly average daily WVAP multiplied with number of shares borrowed multiplied by 0,5%.

The 2019 annual general meeting approved that the Company enter into a 12-month framework agreement with ProCorp AS whereby the Company may purchase consultancy services within the ordinary operations of the Company from ProCorp AS. The services will be based on an agreed upon and market term hourly rate, and/or a market term fixed price for certain pre-defined assignments, and otherwise be on terms and conditions that is customary for these kinds of agreements.

13. Remuneration of the senior management

The Group's board has determined guidelines for remuneration of the CEO. This remuneration will be reviewed annually.

The Group's option program and similar agreements is approved by the General Meeting before the agreements are introduced. A proposed agreement shall include information about distribution principles, the value of options, accounting consequences and possible dilution effects.

14. Information and communications

The Group’s board has established guidelines for how Element shall communicate and report financial and other information to shareholders, based on openness and with consideration of the requirement for equal treatment of all those involved in the securities market.

It is the Board’s goal to provide information about the Group’s activities on an ongoing basis to the Group’s shareholders, the Oslo Stock Exchange, analysts and investors. This is done by publishing information and holding presentations.

The Group’s financial calendar for the coming year will be published no later than 31 December in the current year. The financial calendar and other stock exchange-related information will be first published through the Oslo Stock Exchange news website www.newsweb.no, before the information is also released through news agencies and the Group’s website www.elementasa.com

All information that is communicated to the Company’s shareholders shall be published on the Group’s website at the same time as it is sent to shareholders.

The Group’s board wishes to maintain a regular dialogue with shareholders. Contact information is published on the Element website. Elements spokespersons are the chairman of the Board and the CEO.

15. Takeovers

Element’ articles of association do not include any active instruments designed to prevent or obstruct a bid to take over the Group’s shares.

In any takeover process, the bidder, the Board of Element ASA and management, have an independent responsibility to help ensure that the shareholders of Element ASA receive equal treatment and that the activities of the target Group are not unduly disturbed. The Board has a specific responsibility for ensuring that shareholders have enough time and information to be able to come to a decision on the bid.

The Board shall not without specific grounds seek to prevent or impede anyone from putting forward a bid for the Group’s business or shares. If a bid is presented for the Group’s shares, the Group’s board shall not use its authority to issue shares or take any other action for the purpose of hindering the process of the bid, unless this has been approved by the general meeting after the bid has become known.

If a bid for the Group’s shares is presented, the Board shall issue a statement with its assessment of the bid and a recommendation of whether shareholders shall accept or not. If the Board finds that it cannot give the shareholders a recommendation of whether they should accept the bid or not, an explanation for this will be given

The Board’s statement about the bid should indicate whether the assessment is unanimous, and if not on what grounds some board members have dissociated themselves from the board’s statement.

The Board will consider whether to obtain an assessment from an independent expert. If any board member or senior manager or close associate or anyone who has recently held such a position is a bidder or has specific interest in the bid, the Board will obtain an independent assessment in any case. The same applies- if the bidder is a major shareholder. The assessment will be attached to, repeated in or be referred to in the Board's statement.

Transactions that in reality mean the disposal of the business will be presented to the general meeting. If it is in the shareholders' interests, the board will, if appropriate, attempt to present a competing bid.

16. Auditor

The Group's board and auditor shall have at least one meeting each year without the general manager or other members of senior management present. The auditor shall annually present to the Board the main items of a plan for completion of the auditing work. At least once a year, the auditor shall review the Group's internal control with the Board, including identifying weaknesses and suggestions for improvement.

The auditor shall attend board meetings where the annual accounts are discussed. In meetings, the auditor shall give a briefing on any significant changes in the Group's accounting principles, give an assessment of major accounting estimates and report all significant circumstances where there has been disagreement between the auditor and the Group's senior management.

The auditor receives notices of meetings of the audit committee with relevant documents and attends these meetings regularly.

The Group's auditor, Plus Revisjon AS, was elected in an extraordinary general meeting held in January 2019. The Board will receive a written declaration from the auditor each year that the auditor still satisfies the requirements for independence.

In addition to the audit itself, the auditor has from time to time provided assistance with accounts, as well as providing other services such as reporting services and tax advice. The Group's board will report on the remuneration paid to the auditor at the general meeting, including details of fees paid for the auditing work and any fees paid for other specific assignments. The annual accounts also include a specific note about this information.

The Group's senior management has regular meetings with the auditor. Accounting principles, risk areas, internal control procedures and tax questions are discussed at these meetings.

The Board makes regular assessments of whether the auditor is performing the audit function in a satisfactory manner.

Corporate social responsibility

All main elements of the amendments to the Norwegian Accounting Act with regards to CSR reporting are relevant and will be reported on. These are: Human rights, working conditions and social issues, environment as well as anti-corruption.

That said it is also important to note that the Group does not have any active mining operations or production activities. Its activities have historically been limited to investment in and development of mineral deposits. Therefore, reporting requirements regarding implementation and results achieved are not particularly suited for the Group.

1. Human rights

The Group's activities depend on a license to operate. This license is often a partnership with national authorities. In addition to strictly following national rules and regulations, the Group also conducts its business in line with fundamental international rules including those defined in the United Nations Declaration of Human Rights and supports the standards developed by the International Labour Organization. Any violations of basic human rights are totally unacceptable to the Group. The Group aims to keep and deepen the good relations in its projects.

2. Working conditions and social issues

Health and safety form an indispensable component in all the Group's projects and activities. All hazards and risks to health and safety must be avoided. This is achieved by ongoing and proactive commitments to the health, safety and welfare of the Group's employees, service contractors and other associated personnel through timely provision of appropriate and effective training and advice, support and guidance on all health and safety matters.

The Company facilitates equal opportunities for professional and personal development regardless of gender. The Company has a reasonable gender balance and strives to maintain a good working environment. The company has not had any work accidents or incidents in 2019, and the Group has not had an effect on the external environment.

The Group's CSR program seeks to empower local stakeholders, to be active partners in the development of their communities. Under the program, the Group implements strategies aimed at alleviating poverty and improving the standard of living through sustainable projects that harness safety, health and productivity, as well as strengthen self-reliance values.

Efforts include the use of local staff where possible and desirable.

The Group's ambition has been to make sure that its projects generate sustained value locally even where the necessary actions are not stipulated by law. Regarding HSE the Group continues to aim for a zero-accident rate in all of our operations.

3. Environment

To uphold the Group's license to operate a sound environmental management is essential. As stated previously, the Group's activities have historically been limited to discovery and development of mineral deposits which are in turn to be operated by mining companies. As a result, it sees its environmental responsibility twofold: To minimize adverse environmental effects of its own activities and to design its projects in a way that allows for high standards of green mining in the operation phase.

The basic guiding principle for the Group's plans is that land use activities will be temporary, and that land used will be returned in a state after operation that allows for sustainable future use. For its direct activities the Group is firmly committed to the protection and enhancement of the environment.

4. Anti-corruption

The Group has zero tolerance for corruption and always conducts its business according to the relevant laws, while observing the highest ethical standards and with no compromise to its commitment to integrity. As some operations historically have taken place in regions where the perceived level of corruption is high, at times this has been a challenge for the Group's operation. However, the Group has strict guidelines in place regarding such situations, and regularly trains its staff in the practical implementation. Guidelines how to handle for example receiving and giving gifts are in place and include procedures and requirements for partners and suppliers.

The Group actively fights corruption in its businesses, and constantly monitors its conduct on all levels to avoid any exposure to unacceptable practices.

To the Shareholders' Meeting of Element ASA

Independent auditor`s report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Element ASA (the Company), in our opinion:

- The financial statements are prepared in accordance with the law and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements comprise

- The financial statements of the parent company, which comprise the balance sheet as at December 31, 2019, and the income statement, 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 balance sheet at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 as required by laws and regulations, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Investment in promissory note and term loans

During the fourth quarter of 2019, the company sold all its shares in Ambershaw Metallics Inc (AMI). As settlement for the shares, the buyer issued a promissory note to Element ASA. The company's investment in the AMI convertible bond was at the same time repaid in part, with the remaining principal amount converted into two new term loans.

The resulting investments in promissory notes and term loans are significant to the company's balance sheet and financial statements as a whole. Additionally, measurement and classification involve significant judgment and assumptions by management as observable market prices for comparable investments are not readily available. Measurement of fair value and classification of these investments are key risks this year and thus considered a key audit matter.

To address the identified risks we have reviewed the respective security agreements and related documents to identify the relevant rights and covenants and built a valuation model to assess the company's measurement and classification in accordance with IFRS 9.

Assets held for sale - discontinued operations

Assets classified as held for sale amounted to net debt of USD 465k as of 31 December 2019, a significant reduction from 2018. The uncertain political situation in the mining sector in the Philippines, as well as the significant judgement normally involved in determining the fair value and classifications of such assets, made this a key audit matter.

The key audit matter in this regard pertains to the appropriate application of IFRS 5, in particular:
- Whether the transaction meets the criteria for separate presentation of assets and liabilities classified as held for sale.
- Whether the assets and liabilities are measured at the lower of the fair value less costs to sell, or their carrying amounts.

To address the risks identified, the audit procedures included assessing the selling process, examining minutes from the directors' board meetings, reviewing valuation and holding discussions with Group management.
Reference is made to note 15 in the Group`s financial statement.

Other matters

Management is responsible for keeping updated documentation of the Company's accounting information in accordance with law and bookkeeping standards generally accepted in Norway. This includes reconciliation of significant balance sheet items with supporting documentation on an ongoing basis, and as part of the company's financial statement closing procedures.

Our audit procedures identify inadequate quality assurance in this regard, relating to reconciliation and documentation of significant balance sheet items. As a result, we have modified our opinion on Registration and Documentation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will be wound up. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Company 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Refer to https://revisorforeningen.no/revisjonsberetninger which contains a description of Auditor's responsibilities.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has not fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 29. april 2019
Plus Revisjon AS

Bent Wessel Eide
State authorized Public Accountant

Reporting calendar

Financial year 2020

Annual General meeting 25.06.2020

Quarterly Report – Q1	29.05.2020
Second Half Report / Q2	31.08.2020
Quarterly Report – Q3	30.11.2020
Quarterly Report – Q4	26.02.2021

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