

# Third Quarter Report 2018

# Interim Consolidated Financial Statements

## Highlights of the third quarter 2018

- Element ASA (Element) published the Whitepaper related to the planned IRON Token Generating Event in July. In parallel throughout the third quarter, Element has continued to structure the ELMT SmartCommodity® platform token (previously referred to as the ELE token). Due to the rapidly moving regulatory environment surrounding crypto currencies and lack of clarity under International Financial Reporting Standard (IFRS), Element has decided to postpone the contemplated launch of the IRON and ELMT tokens until the company has completed the verification of all relevant legal, regulatory and accounting requirements. Element estimates to launch ultimo H1 2019.
- Ambershaw Metallics Inc. commenced the application for the Advanced Exploration Permit (AdEx) to the ENDM in Ontario, Canada pertaining to the contemplated bulk-sample extraction of mineralized ore from the Bending Lake Deposit.
- Signed final terms for the option to acquire of 37% of Compagnie Minière de Toussit SA (CMT), the second largest mining company in Morocco, in a 50-50 JV with Auplata S.A.
- Completed the Initial acquisition of CMT, consisting of a EUR 0.5 option premium and a EUR 2.5 million Investment in fund units.

## SUBSEQUENT EVENTS

- Decided to commence work to build a semi-industrial pilot plant and process 500 tons of nickel ore from the Mindoro, Philippines deposit using CRSM technology
- The second tranche of MNOK 50 under the MNOK 500 Convertible Bond facility with warrants settled in the beginning of October
- Reached agreement for a grace period for the third tranche of the Convertible Loan Facility with warrants until 31 January 2019
- Completed interagency panel briefing and proceeds towards ADEX permit
- Called for an Extraordinary General Meeting on 14 December 2018 to elect a new auditor
- Engaged Geir Johansen as Interim CFO effective from 7 December 2018

## Financial results

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

(USD '000)	Third quarter		Year to date		Year end
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	31.12.2017
Loss from continuing operations	-5,239	-259	-8,026	-1,309	-3,277
Loss from discontinued operations	-162	-152	-453	-546	-643
<b>Loss for the period</b>	<b>-5,401</b>	<b>-411</b>	<b>-8,479</b>	<b>-1,855</b>	<b>-3,920</b>

Based on Element's accounting principles the Mindoro Nickel Project has from 31 December 2015 been classified as "Asset held for sale" and is recorded as "discontinued operations" according to IFRS. The group has maintained this classification to date, due to several events in the Philippines with adverse effects on the sales process, in the period since initial classification.

There was no exploration activity in the third quarter of 2018 or 2017. Exploration expenses were limited to license fees.

Net loss from operations amounted to USD -5.4 million for the quarter (USD -0.4 million), following financial costs of USD 4.0 million mainly related to non-cash fair value adjustments related to the warrants attached to the ABO facility. These expenses do not have any liquidity effect.

At 30 September 2018, cash and cash equivalents amounted to USD 0.4 million (USD 2.6 million). The company has secured financing amounting to NOK 500 million through a Convertible Loan Facility, which would be sufficient to secure Element's cash requirements for the 12-month period following 30 September 2018. Book equity as at 30 September 2018 was USD 15.0 million, driven by increased investments in AMI and CMT in the 2018 financial year.

Settlement of the second NOK 50 million tranche of the Convertible Loan Facility with Alpha Blue Ocean received in October 2018.

After the closing of the quarter, Element and ABO have entered into a side letter to the NOK 500 million Convertible Loan Facility with Warrants approved by the EGM on 6 June 2018, preventing ABO from using its call option for the third NOK 50 million tranche with warrants until 31 January 2019 (included) unless the closing share price of the Element share exceeds NOK 4 before such date.

Element has called an Extraordinary General Meeting on 14 December 2018 to elect a new auditor, following EY's notice that they wish to withdraw as auditor due to challenges in the cooperation.

After the closing of the quarter, Chief Financial Officer Kim André Evensen decided to seek new opportunities outside of the company following the ongoing reorganisation of our finance and accounting function. Evensen will continue his work for the company until 28 February 2019.

The Company has engaged Geir Johansen as Interim CFO effective 7 December 2018. Johansen has been CFO of Axactor and has held the position as CFO at Fred. Olsen Ocean. Over the latest 20 years, Johansen has lived and worked in the Americas, Europe as well as North and South East Asia having held CFO positions in DOF Subsea, S.D. Standard Drilling and GSP Offshore. Johansen holds a master's degree in International Economics from the Norwegian School of Management.

## Review of project portfolio

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

### ASSET-LINKED TOKEN PROJECT

In October of 2017 Element announced that it had entered into an agreement with Harmonychain AS to explore the issuance of asset-linked tokens. The tokens will be based on blockchain technology and will be exchangeable into commodities or products in which Element has ownership interests. This means that funding may be received before the commodities are produced and the interest-free funding may be used to start production, expand production or increase ownership in commodity producing companies.

In a rapid changing world of technology there have been a lot of developments in token- and blockchain based technology. This technology provides a fast and secure transaction structure with a verifiable, publicly available audit trail. Almost all

tokens and coins, like Bitcoin, lack a link to physical assets. This leads to unstable pricing. The tokens issued by Element will be stabilized by the link to commodity pricing.

Element ASA (Element) published the Whitepaper related to the planned IRON Token Generating Event in July. In parallel, Element has continued to structure the ELMT SmartCommodity® platform token (previously referred to as the ELE token). Due to the rapidly moving regulatory environment surrounding crypto currencies and lack of clarity under International Financial Reporting Standard (IFRS), Element has decided to postpone the contemplated launch of the IRON and ELMT tokens until the company has completed the verification of all relevant legal, regulatory and accounting requirements. Element estimates to launch ultimo H1 2019.

#### AMBERSHAW METALLICS INC - CANADA

AMI is a metals and mining company incorporated under the laws of the Province of British Columbia, Canada. AMI is controlled by Legacy Hill Resources (LHR). AMI has specific experience in magnetite mining and cold pelletizing technology. AMI intends to provide the North American and international steel industry with DR-grade magnetite pellets suitable for Direct Reduced Iron (DRI) production.

AMI holds the Bending Lake iron deposit in NW Ontario, Canada, which hosts a NI 43-101 compliant resource of 336 Mt magnetite ore upgradable to 68% Fe.

DRI Pellets are used by Electric Arch Furnaces (EAF) as a complement and substitute to scrap steel, which trades around 350 USD per ton. EAF's are heavily dependent on high quality iron ore pellets as feed stock for recycling scrap steel, which are currently in short supply. End-users have to pay premiums for pellets with a higher Fe content and a further premium for magnetite. There is an acute shortage of DR-grade pellets in the North American Steel market.

Prices for super premium DR grade pellets have continued to be strong in and following Q3 2018, with trades taking place at the upper end of an average price interval of 240-280 USD/dmt, regardless of the fall seen in 62% Fe iron-ore prices. At Ambershaw's price level for internal budgeting purposes (130 USD/dmt), the Net Present Value is USD 499 million, based on a cash cost estimate of 56 USD/dmt.

Element currently owns 26,7% of the shares of AMI. In addition, Element provided a USD 4,850 million convertible loan with 7% Interest, thus completing its financing obligations to AMI. The convertible bond has a first fixed and floating charge over the business and assets of AMI and a coupon of 7%. The maturity date is the earlier of the listing of AMI or 31 December 2020, but Element may convert the bonds at any time prior to maturity. Assuming the principal amount of 4.85 MUSD and accrued interests thereon is converted into shares in AMI as of 31 December 2020, Element's ownership will be increased from 26% to approximately 50% of the shares of AMI on a fully diluted basis, and the total investment in AMI will in aggregate amount to 7.8 MUSD.

The payments under the convertible bonds are aligned with the equity needs of AMI towards production start of Super Premium DR grade Pellets under the Advanced Exploration permit (ADEX). Remaining funding needs in AMI under the Advanced Exploration permit is intended to be secured through debt funding.

If the convertible loan is converted by Element, and Element requires, in order to reach 51% ownership in AMI on a fully diluted basis, Element has the right to swap the required number of AMI shares in a transaction with LHR under which LHR will receive Element shares as settlement. The price payable for such AMI shares is set to the same price as in the three previous tranches and the Element shares will be calculated on the basis of a 60-day trailing volume weighted average price following Element exercising the option.

In the third quarter of 2018 AMI filed an application for an Advanced Exploration Permit to complete bulk sample extraction of mineralized ore from the Bending Lake deposit.

Ambershaw will produce super premium DR grade pellets for use in the North American steel production market, through innovative technology for which Ambershaw holds an exclusive license for North America. The ADEX permit applied for will allow for sample extraction of 100,000 tons of mineralised ore, which is expected to yield 20,000 tons of 68% Fe concentrate which will be used to produce the pellets. Pellets produced during the sampling phase will be offered to various steel producers with the aim to conduct tests and thereby secure long-term contracts.

Following the filing of the ADEX application and subsequent documentation, the Ministry of Energy, Northern Development and Mines of Ontario called the Interagency Panel Briefing to ensure clarification on all outstanding matters relating to the ADEX application process. The briefing entailed a gathering of all relevant ministries and government stakeholders in a single-window review to discuss any areas of concern that would require further attention in the application review process.

After the closing of the quarter, AMI announce that an interagency panel briefing has been completed, marking a major milestone in the ADEX permit process towards obtaining the ADEX permit. Based on the feed-back received at the meeting, Ambershaw adjusted its estimates for the timing for the ADEX permit to the first quarter of 2019.

Ambershaw has simultaneously commenced work on updating its Bankable Feasibility Study. Ambershaw aims to commence sample extraction upon receipt of the ADEX permit

#### COMPAGNIE MINIÈRE DE TOUISSIT SA (CMT) – MOROCCO

During the third quarter of 2018, Element finalized the option-agreement with for the potential acquisition of a 37% stake in CMT, in a 50-50 joint venture with Auplata.

CMT is the second largest mining company in Morocco founded in 1974, listed on the Casablanca Stock Exchange, specializing in the exploration, extraction and processing of base metal, precious metal and industrial metal ores. As Morocco's largest producer of high-quality argentiferous lead concentrate, CMT also produces argentiferous zinc concentrate and other related metals.

Originally based in Eastern Morocco and the Middle Atlas Mountains, CMT has a large portfolio of prospecting permits for base metals and precious metals in several regions of Morocco, consisting of 13 concessions, 18 mining permits and 35 prospecting permits spread across Morocco. The Tighza mine, the largest lead deposit with approximately 50% of the country's production of lead concentrate, and largest silver deposit with approximately 25% of Morocco's domestic production of silver (representing 1 million ounces of silver a year), make up CMT's mining assets.

In 2016, CMT obtained a long-term EUR 28 million loan from the European Bank for Reconstruction and Development (EBRD) to finance the Tighza site investment plan to improve its underground mining operations infrastructure. These funds will be allocated to the construction of a new shaft in the mine's main vein (Ighraem Aoussar), producing major improvements in health, safety, environmental management and productivity, thus allowing the company to operate to the highest international standards. The construction of the new shaft has started and is estimated to be completed in 2020.

At the same time, CMT is diversifying into other metals, particularly gold. The certification work on the gold resources at Tighza, where CMT holds 7 gold mining exploration permits has been completed. Assays of representative samples from the deposit have revealed content between 4g/t and 7g/t, with good gold recovery and normal cyanide consumption.

Since 2012 CMT has had a stable extraction of tonnage, and it is expected that the new shaft the company is building will increase the volumes by 1/3. In addition, the company has other licenses that so far has not been developed, including among others Copper. The company has historically had an EBITDA margin of between 41% and 73% in the years 2012 to 2017, and a capex to turnover ratio of between 6% to 9.1% in the same period.

The dividend payout ratio has been between 91% and 118% since 2014. Net company debt was at the end of 2017 MEUR 20 drawn under the EBRD facility (approx. MNOK 194) vs a market cap of MMAD 2,573 (approx. MNOK 2,220) as of 31.12.2017.

The board of directors of CMT consist of the Chairman and CEO Mohamed Lazaar, and Latifa Kamal, Joseph Leddet and Didier Tamagno. The executive management consist of CEO Mohamed Lazaar and COO Mr. Lahcen Ouchtoubane. In 2017 the company had approximately 370 employees.

Under the agreement with Auplata, the companies will form a joint venture to acquire a 37% stake in CMT through ownership of 5,000 units equal to 50% each of the issued units in a joint corporate structure in Luxembourg (Ocead Fund). Element may exercise the call option in one or more instalments. Initial partial exercise of minimum amount EUR 15,000,000 must be exercised within 30 June 2019. Exercised of remaining instalments must be exercised within 31 December 2019. If the initial partial exercise is not made by 30 June 2019 the call option agreement will lapse and Element.

The purchase price for 50% of the Osead Fund is EUR 25,500,000 plus the additional consideration. Through acquisition of the units in the fund certain debt is taken over. The fund has issued notes valued at MEUR 23.7 as of 15 September 2018. Furthermore, OMM will have debt as of 31 December 2018 in the amount of MAD 288,000,000 to CMT.

Element will make a prepayment of a total of EUR 3,000,000; EUR 1,000,000 was payable at signing of the call option Agreement and EUR 2,000,000 was paid during the third quarter of 2018. The amount is deemed a prepayment of the first EUR 15,000,000 due under the call option. The balance payable under the initial partial exercise shall be EUR 12,000,000.

Upon payment of the initial partial payment of EUR 15,000,000 Element becomes owner of 50% of the shares of the management company of the Osead Fund, without cost. Element and Auplata has entered into a shareholder` agreement for the purpose of controlling the fund through the management company which will come into effect at such time.

#### MINDORO NICKEL PROJECT – THE PHILIPPINES

After the closing of the quarter, Element decided to commence work to build a semi-industrial pilot plant and process 500 tons of nickel ore from the Mindoro deposit using CRSM technology. The company completed lab tests which successfully

resulted in upgrading the low-grade Mindoro nickel ore in February and June 2017. If successful with the semi-industrial pilot the CRSM technology will give grounds for a new business model with heavily reduced capex, lower break-even and considerably more environmentally friendly production.

If successful with the semi-industrial pilot in China, Element may be able to develop the Mindoro Nickel deposit on its own. It should also make Mindoro Nickel a much more sought-after deposit among other industrial players and Element will actively invite them to take part in the preparations for the Declaration of Mining Project Feasibility if the terms are right.

The laboratory tests undertaken in June 2017 provided a basis for evaluating the profitability of converting the nickel resource in Mindoro from ore to concentrate. Based on the results obtained, Element's calculations show profitability through utilisation of the CRSM technology with a nickel price of approx. 6,300 USD/t - which is approximately 50% below the current market price of approx. 11,500 USD/t.

The CRSM processing technology, developed by Sunbright Consulting Ltd. ('Sunbright') in China, which Element intends to use to process its nickel ore from Mindoro uses significantly less energy, has much lower investment requirements and operating costs, as well as being more environmentally friendly.

The CRSM technology is modular with a low power requirement of only 10,000 KVA per module producing 600,000 tons of ore per year. Concentrate output for export will be approx. 20% or 120,000 tons per year per module. This is only about 2.5 boatloads per year at 50,000 tons cargo capacity per boat. The remaining 80% of the ore (480,000 tons) will be left for mine rehabilitation.

The company has already done significant research into mine rehabilitation and reforestation through its LEAF initiative. Following the third quarter the company received the fifth consecutive annual award for best mining forestry, conferred by the Department of Environment and Natural Resources (DENR). As a result of the Company's work in reforestation, the local population in Mindoro is now able to grow and produce rubber in previously unproductive soils.

The CRSM technology is modular and allows the company to scale its production without incurring large infrastructure costs such as a power plant.

The original capex predictions for Mindoro Nickel of USD 2.5 billion for full-scale production utilising the HPAL process will be reduced to only USD 26-35 million per module. One module will result in lower production than the HPAL full scale production capex and Element may scale up the production by adding additional modules. Production may thus be scaled in accordance with available funding or through earnings generated from production started at low entry cost.

Based on capex estimates of 26-35 million USD per module to mine 600,000 tons of raw nickel ore, the laboratory tests from June 2017 showed an annual EBITDA estimate of 28-32 million USD based on current nickel prices of ca. 11,000 USD/t.

The budget for completion of the first step, namely the semi-industrial pilot production in China is USD 1.5 million. Element is budgeting to spend a total of USD 3.6 million on the entire process including obtaining all relevant licenses, building a pilot plant in China, shipping and processing the 500 tons of nickel ore at the pilot plant and filing of the Declaration of Mining Project Feasibility (DMPF) required to start production on Mindoro. The semi-industrial pilot production is estimated to take place during H1-2019 and filing of the DMPF is expected in the first quarter of 2020.

Reaching successful outcome is conditional on completion of successful semi-industrial pilot testing scheduled for the first half of 2019, thereunder obtaining relevant central and local permits and licenses. Element is engaging relevant advisors and sub-contractors locally and will work closely with them to obtain relevant permits and licenses, but success cannot be guaranteed.

Completing the pilot project and the DMPF assumes that Element raises funds from token sale, the Alpha Blue Ocean Convertible Note Facility with Warrants or through other available sources by March 2019.

Historically, Element has been closely linked to the Mindoro Nickel Project. Since 31 December 2015, the company's primary focus has been to realize the Mindoro Nickel Project through a sale of the asset.

## Outlook

During 2018, the company has entered into a Call Option agreement to acquire a 37% stake Compagnie Minière de Touissit, in a 50-50 joint venture with Auplata, with an attractive producing portfolio and undeveloped assets. CMT has fully financed the largest shaft in North Africa, expected to increase annualized revenues by 30-50% from 2020. Element may exercise the Call Option in one or more instalments. Initial partial exercise of minimum amount EUR 15,000,000 must be exercised within 30 June 2019. Exercised of remaining instalments must be exercised within 31 December 2019. If the Initial Partial Exercise is not made by 30 June 2019 the Call Option Agreement will lapse. The Call Option Agreement is subject to due prepayment of EUR 3 within 30 September 2018.

In addition, the AMI is expecting to receive the AdEX permit allowing trial mining of 100,000 tons of Iron-ore during the first quarter of 2019.

Element ASA (Element) published the Whitepaper related to the planned IRON Token Generating Event in July. In parallel, Element has continued to structure the ELMT SmartCommodity® platform token (previously referred to as the ELE token). Due to the rapidly moving regulatory environment surrounding crypto currencies and lack of clarity under International Financial Reporting Standard (IFRS), Element has decided to postpone the contemplated launch of the IRON and ELMT tokens until the company has completed the verification of all relevant legal, regulatory and accounting requirements. Element estimates to launch ultimo H1 2019.

The company has entered into a NOK 500 million convertible loan facility with warrants with Alpha Blue Ocean. This convertible loan is structured in 10 tranches of NOK 50 million, where the company is committed to a total of three NOK 50 million tranches under the agreement. After the closing of the second quarter, Element and ABO entered into a side letter to the NOK 500 million facility, preventing ABO from using its call option for the third NOK 50 million tranche with warrants until 31 January 2019, unless the closing share price of the Element share exceeds NOK 4 before such date.

Element has called an Extraordinary General Meeting on 14 December 2018 to elect a new auditor, following EY's notice that they wish to withdraw as auditor due to challenges in the cooperation.

Oslo, 30 November 2018, Board of Directors, Element ASA



Mona Lynne Eitzen  
*Board Member*



Lars Christian Beitnes  
*Chairman*



Frode Aschim  
*Board Member*



Kari Mette Toverud  
*Board Member*



Cecilie Grue  
*CEO*

## Interim consolidated statement of profit and loss and other comprehensive income

(USD '000)	Note	Third quarter		Year to date		Year end
		30.09.2018	30.09.2017	30.09.2018	30.09.2017	31.12.2017
Net income/loss from equity acct. investments	3	-82	-	-198	-	-10
Exploration and evaluation costs		-	-	-3	-3	-3
Salary and social security cost		-398	-72	-745	-218	-482
Other operating expenses		-828	-181	-1,900	-820	-1,520
<b>Operating loss</b>		<b>-1,309</b>	<b>-253</b>	<b>-2,847</b>	<b>-1,041</b>	<b>-2,014</b>
Financial income	4	105	-	120	-	53
Financial costs	4	-4,035	-5	-5,299	-268	-1,315
<b>Net financial items</b>		<b>-3,930</b>	<b>-5</b>	<b>-5,179</b>	<b>-268</b>	<b>-1,262</b>
<b>Loss before tax</b>		<b>-5,239</b>	<b>-259</b>	<b>-8,026</b>	<b>-1,309</b>	<b>-3,277</b>
Income Taxes		-	-	-	-	-
<b>Loss after tax</b>		<b>-5,239</b>	<b>-259</b>	<b>-8,026</b>	<b>-1,309</b>	<b>-3,277</b>
Loss discontinued operations, after tax	7	-162	-152	-453	-546	-643
<b>Loss for the period</b>		<b>-5,401</b>	<b>-411</b>	<b>-8,479</b>	<b>-1,855</b>	<b>-3,920</b>
Basic and diluted earnings per share		-0.06	-0.01	-0.11	-0.04	-0.09
Basic and diluted earnings per share - continued operations		-0.05	-0.01	-0.10	-0.03	-0.05
Basic and diluted earnings per share - discontinued operations		-0.01	-	-0.01	-0.01	-0.03
<b>Other comprehensive income:</b>						
<b>Items that will be reclassified to income statement</b>						
Currency translation adjustments		282	-47	126	-100	21
<b>Other comprehensive income</b>		<b>282</b>	<b>-47</b>	<b>126</b>	<b>-100</b>	<b>21</b>
<b>Total comprehensive income</b>		<b>-5,119</b>	<b>-458</b>	<b>-8,353</b>	<b>-1,955</b>	<b>-3,899</b>
<b>Total comprehensive income attributable to Element shareholders</b>		<b>-5,119</b>	<b>-458</b>	<b>-8,353</b>	<b>-1,955</b>	<b>-3,899</b>

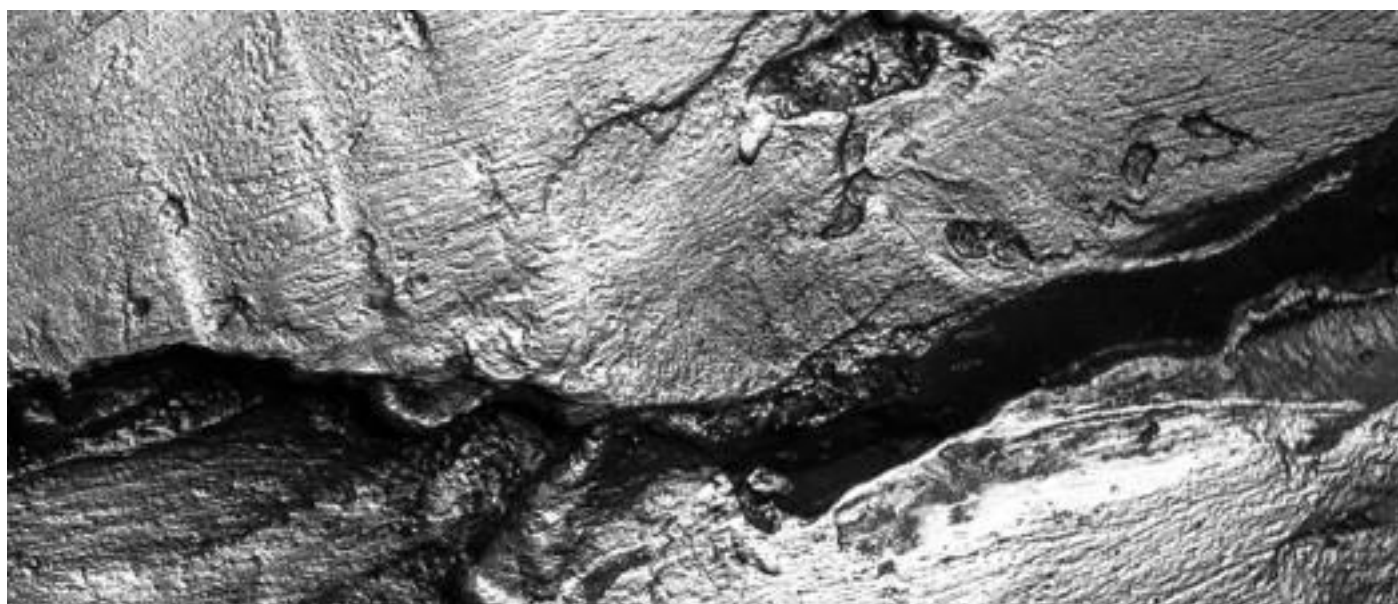


## Interim consolidated statement of financial position

<i>(USD '000)</i>	Note	Third quarter 30.09.2018	Year End 31.12.2017
<b>ASSETS</b>			
Property, plant and equipment		12	3
Equity accounted investments	3	3,255	428
<b>Total non-current assets</b>		<b>3,267</b>	<b>432</b>
Financial investments	4	7,861	1,153
Other receivables	4	2,930	74
Cash and cash equivalents	5	444	2,619
<b>Total current assets</b>		<b>11,235</b>	<b>3,845</b>
Assets classified as held for sale	7	5,587	5,837
<b>Assets classified as held for sale</b>		<b>5,587</b>	<b>5,837</b>
<b>TOTAL ASSETS</b>		<b>20,089</b>	<b>10,114</b>
<b>EQUITY</b>			
Share capital		940	643
Other paid-in-capital		88,700	79,000
Cumulative translation adjustments		10,636	10,510
Other equity		-85,238	-83,713
<b>Total equity</b>		<b>15,038</b>	<b>6,440</b>
<b>LIABILITIES</b>			
Other long term liabilities		-	-
<b>Total long term liabilities</b>		<b>-</b>	<b>-</b>
Trade payables		237	247
Derivatives	4	-	721
Convertible notes	4	-	-
Other current liabilities		2,841	502
<b>Total current liabilities</b>		<b>3,078</b>	<b>1,470</b>
Liabilities associated with assets classified as held for sale	6	1,973	2,204
<b>Liabilities associated with assets classified as held for sale</b>		<b>1,973</b>	<b>2,204</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,089</b>	<b>10,114</b>

## Interim consolidated statement of cash flow

(USD '000)	Third quarter		Year to date		Year end
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	31.12.2017
Profit/-loss for the year, continued operations	-5,240	-259	-8,026	-1,309	-3,277
Profit/-loss for the year, discontinued operations	-162	-152	-453	-546	-643
<b>Operating activities</b>					
Depreciation	-	2	3	5	6
Non-cash expenses related to options and w arrants	2,439	5	7,017	268	369
Change in trade and other receivables	-1,117	7	-2,856	-5	-47
Change in trade payables and other current liabilities	-1,419	-25	1,608	-99	1,243
Changes in other long term liabilities	-	23	-	31	-317
Change in assets held for sale	-102	-91	19	-50	-70
<b>Cash flow from operating activities</b>	<b>-5,600</b>	<b>-490</b>	<b>-2,687</b>	<b>-1,705</b>	<b>-2,735</b>
<b>Investment activities</b>					
Net expenditure on property, plant and equipment	-12	3	-12	9	-
Equity accounted investments	-	-	-2,915	-	-438
Investment in other financial assets	-3,011	-554	-6,708	-1,154	-961
<b>Cash flow from investment activities</b>	<b>-3,023</b>	<b>-551</b>	<b>-9,635</b>	<b>-594</b>	<b>-1,400</b>
<b>Financing activities</b>					
Proceeds from new shares issued	5,722	1,134	10,144	2,418	6,009
<b>Cash flow from financing activities</b>	<b>5,722</b>	<b>1,134</b>	<b>10,144</b>	<b>1,284</b>	<b>6,009</b>
Net change in cash and cash equivalents	-2,901	93	-2,178	-432	1,874
Cash and cash equivalents at the start of the period	3,275	256	2,708	834	834
Sum translation effects	282	-47	126	-100	-
<b>Cash and cash equivalents at the end of the period for cont. and disc. Operations</b>	<b>656</b>	<b>302</b>	<b>656</b>	<b>302</b>	<b>2,708</b>



## Interim consolidated statement of changes in equity

<i>(USD '000)</i>	<i>Note</i>	<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Cumulative translation</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
<b>Equity 1 January 2017</b>		<b>339</b>	<b>69,599</b>	<b>14,015</b>	<b>-13,243</b>	<b>-66,757</b>	<b>3,953</b>
Loss for the period		-	-	-	-3,920	-	-3,920
Other comprehensive income		20	3,676	-3,505	-	-170	21
<b>Total comprehensive income</b>		<b>20</b>	<b>3,676</b>	<b>-3,505</b>	<b>-3,920</b>	<b>-170</b>	<b>-3,899</b>
Capital increase		284	5,725	-	-	-	6,009
Share options cost		-	-	-	145	-	145
Converted warrants		-	-	-	232	-	232
<b>Total transactions with owners</b>		<b>284</b>	<b>5,725</b>	<b>-</b>	<b>377</b>	<b>-</b>	<b>6,386</b>
<b>Equity 31 December 2017</b>		<b>643</b>	<b>79,000</b>	<b>10,510</b>	<b>-16,786</b>	<b>-66,927</b>	<b>6,440</b>
<i>(USD 1 000)</i>		<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Cumulative translation</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
<b>Equity 1 January 2018</b>		<b>643</b>	<b>79,000</b>	<b>10,510</b>	<b>-16,786</b>	<b>-66,927</b>	<b>6,440</b>
Loss for the period		-	-	-	-8,026	-453	-8,479
Other comprehensive income		-	-	126	-	-	126
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>126</b>	<b>-8,026</b>	<b>-453</b>	<b>-8,353</b>
Capital increase		302	9,842	-	-	-	10,144
Repurchase of shares		-5	-142	-	-	-	-147
Share options cost		-	-	-	6,160	-	6,160
Converted warrants		-	-	-	794	-	794
<b>Total transactions with owners</b>		<b>297</b>	<b>9,700</b>	<b>-</b>	<b>6,954</b>	<b>-</b>	<b>16,951</b>
<b>Equity 30 September 2018</b>		<b>940</b>	<b>88,700</b>	<b>10,636</b>	<b>-17,858</b>	<b>-67,380</b>	<b>15,038</b>



## Notes to the interim consolidated financial statements

- 1 Information about the Group
- 2 Basis for preparation and changes to the Group's accounting policies
- 3 Investments accounted for using the equity method
- 4 Financial assets and liabilities
- 5 Cash and cash equivalents
- 6 Related party disclosures
- 7 Discontinued operations

### 1 Information about the Group

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

As at 30 September 2018, the Group's main activity is to identify assets close to or in production for investment.

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

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

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

#### ACCOUNTING PRINCIPLES

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

#### ESTIMATES

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

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

### 3 Investments accounted for using the equity method

(USD '000)	Third quarter		Year to date		Year end
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	31.12.2017
Opening balance	3,336	-	428	-	-
Net income/(loss) from equity accounted investments	-83	-	-198	-	-10
Acquisitions and increase in paid in capital	-	-	3,023	-	438
Dividend and other distributions	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-
Divestments, derecognition and decrease in paid in capital	-	-	-	-	-
<b>Ending balance</b>	<b>3,253</b>	<b>-</b>	<b>3,253</b>	<b>-</b>	<b>428</b>

## AMBERSHAW METALLICS INC

On 31 December 2017, the Group held 5% of the shares in Ambershaw Metallics Inc (AMI) and convertible notes in the amount of USD 1,153 thousand.

Throughout the first quarter of 2018, the Group invested USD 1,850 thousand through two capital increases in AMI, and converted all convertible notes outstanding. Following these investments, the Group holds approximately 26% of the shares outstanding in AMI.

On 15 June 2018, the group invested a further USD 4,850 thousand into a convertible note issued by AMI. Through the potential conversion of the convertible notes, and a final share swap, the group retains an option to obtain 51% of AMI.

The Group has entered into an investment and shareholder agreement with Legacy Hill Resources. This agreement grants the Group the right to appoint one board member to the board of directors in AMI, as well as extensive veto rights covering all significant business decisions. Following the investment and shareholder agreement, and the increased ownership, the Group considers that it has significant influence in AMI. The agreement gives the Group exclusivity in financing AMI, and the Group expects to significantly increase its shareholding in AMI.

## 4 Financial assets and liabilities

### FINANCIAL ASSETS AND LIABILITIES

	Third quarter	Year End
USD ('000)	30.09.2018	31.12.2017
Other receivables	2,930	74
Convertible loan notes	4,949	1,153
Derivatives	1,286	-
Investments in fund units	1,626	-
Cash and cash equivalents	444	2,619
<b>Total financial assets</b>	<b>11,235</b>	<b>3,846</b>
Convertible notes	-	-
Derivatives	-	-721
<b>Total financial liabilities</b>	<b>-</b>	<b>-721</b>

In the first half of 2018, all warrants outstanding to the Group's equity facility with Gem Global Yield Fund were converted.

On 27 March 2018, the Group drew down NOK 25 million on the convertible note facility with Blue Ocean Advisors. On 6 June 2018, the group drew down NOK 50 million, comprising the first tranche of a new NOK 500 million facility with Blue Ocean Advisors.

On 31 March 2018, the Group converted its convertible notes in Ambershaw Metallics Inc into shares in the company. On 6 June 2018, the group invested USD 4,850 into a new convertible loan issued by Ambershaw Metallics Inc.

As of 30 September 2018, the Group had paid a total of EUR 2.5 million in relation to the option agreement to acquire 5000 fund units in the Luxembourg registered fund MinInvest which in turn holds shares in Compagnie Minière de Toussit. The payment covers both the option premium, and the acquisition of 396 fund units.

## FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments:

USD ('000)	Third Quarter		Year end	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	2,930	2,930	74	74
Convertible loan notes	4,949	4,949	1,153	1,153
Cash and cash equivalents	444	444	2,619	2,619
<b>Total financial assets</b>	<b>8,323</b>	<b>8,323</b>	<b>3,846</b>	<b>3,846</b>
Convertible notes	-	-	-	-
Derivatives	-	-	-721	-721
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-721</b>	<b>-721</b>

## FAIR VALUE HIERARCHY

Fair value measurement hierarchy for assets and liabilities as of 30 September 2018:

USD ('000)	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value				
Convertible loan notes	30.09.2018	-	-	4,949
Derivatives	30.09.2018	-	1,286	-
Investments in fund units	30.09.2018	-	1,626	-
Liabilities measured at fair value				
Convertible notes	30.09.2018	-	-	-
Derivatives	30.09.2018	-	-	-

There were no transfers between level 1 and level 2 in 2018.

Fair value measurement hierarchy for assets and liabilities as of 31 December 2017:

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

There were no transfers between level 1 and level 2 in 2017.

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Year end	Change in fair value	Third quarter
USD ('000)	31.12.2017		30.06.2018
Convertible notes	-	-	-
Derivatives	-721	721	-
<b>Total Liabilities arising from financing activities</b>	<b>-721</b>	<b>-3,447</b>	<b>-</b>

## 5 Cash and cash equivalents

(USD '000)	Third quarter	Year end
	30.09.2018	31.12.2017
Cash and bank deposits	289	2,594
Restricted bank deposits	155	25
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>444</b>	<b>2,619</b>
Cash and cash equivalents related to discontinued operations	212	89
<b>Cash and cash equivalents in the statements of cash flow</b>	<b>656</b>	<b>2,708</b>

## 6 Related party disclosures

As of 30 September 2018, the number of shares held by directors and management of Element ASA are:

Name	Position	Shares	Options	CFDs
Lars Christian Beitnes	Chairman of the board	112,578	360,000	180,000
Frode Aschim	Member of the board	178,140	360,000	-
Mona Lynne Eitzen	Member of the board	87,587	360,000	-
Cecilie Grue	CEO	130,000	1,300,000	-
Kim Andre Evensen	VP Finance and Accounting	-	900,000	-
<b>Total</b>		<b>508,305</b>	<b>3,280,000</b>	<b>180,000</b>

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

### SERVICE AGREEMENT WITH GLOBAL VISION TRADING LIMITED

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

### SERVICE AGREEMENT WITH ETHER CAPITAL LTD

On 30 June 2017, the Group entered into a service agreement with Ether Capital Ltd for providing administrative and consultancy services to the Group. The services from Ether Capital Ltd are provided by Mr. Frode Aschim, Board Member of Element ASA. The services provided under this agreement are those over and above those duties normally covered by a non-executive Board Member. The agreement is in effect until 30 June 2019, and the monthly fee amounts to NOK 120,000 per month.

## 7 Discontinued operations

The Group has sharpened its strategy and focused its financial- and management resources to pursue the realization of the Mindoro Nickel Project. From this, it is considered that the carrying amount will be recovered through a sale transaction. As a result of this and from December 2015, the Mindoro Nickel Project is considered as held-for-sale. Further, as this represent a major line of business, this has been classified as Discontinued operation.

### STATEMENT OF PROFIT AND LOSS FOR DISCONTINUED OPERATION:

(USD '000)	Third quarter		Year to date		Year end
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	31.12.2017
Other Revenue	-	-	-	-	-
Exploration and evaluation costs	-41	-39	-84	-154	-246
Salary and social security cost	-78	-75	-238	-239	-329
Other Operating expenses	-39	-38	-131	-153	-240
<b>Operating loss</b>	<b>-158</b>	<b>-152</b>	<b>-453</b>	<b>-546</b>	<b>-815</b>
Financial income	-4	-	-	-	-
Financial costs	-	-	-	-	-
<b>Net financial items</b>	<b>-4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss before tax</b>	<b>-162</b>	<b>-152</b>	<b>-453</b>	<b>-546</b>	<b>-815</b>
Deferred tax expense			-	-	171
<b>Loss after tax</b>	<b>-162</b>	<b>-152</b>	<b>-453</b>	<b>-546</b>	<b>-643</b>
<b>Loss for the period</b>	<b>-162</b>	<b>-152</b>	<b>-453</b>	<b>-546</b>	<b>-643</b>



ASSETS AND LIABILITY RELATED TO DISCONTINUED OPERATION:

<i>(USD '000)</i>	<b>Third quarter</b>	<b>Year End</b>
	30.09.2018	31.12.2017
<b>ASSETS</b>		
Exploration and evaluation assets	5,199	5,610
Property, plant and equipment	6	2
<b>Total non-current assets</b>	<b>5,205</b>	<b>5,613</b>
Other receivables	69	27
Other financial assets	100	108
Cash and cash equivalents	212	89
<b>Total current assets</b>	<b>381</b>	<b>224</b>
<b>TOTAL ASSETS</b>	<b>5,587</b>	<b>5,837</b>
<b>LIABILITIES</b>		
Deferred tax	0	47
Other long term liabilities	0	0
<b>Total long term liabilities</b>	<b>0</b>	<b>47</b>
Trade payables	141	230
Other current liabilities	1,832	1,927
<b>Total current liabilities</b>	<b>1,973</b>	<b>2,157</b>
<b>TOTAL LIABILITIES</b>	<b>1,973</b>	<b>2,204</b>

