

First Half Report 2020

Operations

In May 2020 the Company sold all its Filipino legal entities and the mining licenses to a local Filipino mining company. The Company received a symbolic purchase price for the Filipino Entities. The purchase price may increase to USD 1 million if the mining ban currently in place in the Philippines is lifted within five years following the consummation of the transaction. For Q2 the company recorded an accounting gain of USD 1.22 million from the sale of the Filipino legal entities.

Financials

SECOND QUARTER 2020

Operating losses for the quarter amount to USD -0.56 million (-0.95m), where USD -0.12 million (-0.38m) relates to board and employee cost.

Financial income consisting of interest income from the restructured loans given to AMI of USD 0.18m million and a reclassification of gain on sale of CMT units of USD 0.17 million. Financial cost of USD -0.82 million consists of currency effects from the sale of the Filipino legal entities. Net loss after tax for the quarter was USD -1.04 million (-1.23m)

The sale of all legal entities in the Philippines resulted in an accounting gain of USD 1.22 million. This is because the Filipino entities at the time of the transaction had assets valued at USD 0.10 million while they were carrying liabilities equal to USD 1.36 million. The buyers of the Filipino legal entities took over ownership of

all assets and the liabilities at the closing of the transaction.

Net consolidated profit for the quarter, including discontinued operations (Mindoro), is positive USD 0.18 million (-1.49m). Total comprehensive income including currency translation adjustment for the quarter equals USD 1.24 million. The currency translation effect was USD 1.05 million and stems from the sale of the Filipino legal entities.

At end of Q2 2020, cash and cash equivalents, during the quarter amounted to USD 1.60 million (2.89m at Y.E. 2019).

Total assets at the end of the quarter equals USD 6.53 million (7.66m Y.E. 2019). The reduction mainly reflects the reduction in cash compared to end of year 2019. Total equity at the end of quarter is USD 6.29 million (6.87m) with an equity ratio of 96%.

FIRST HALF 2020

For the first half of 2020 Element has recorded an operating loss of USD 1.26 million and a loss after tax of USD 0.82 million. Consolidated result including the sale of the discontinued operations (Philippines) was USD 0.25 million. Total comprehensive loss including currency translation adjustment for the first half of 2020 equals USD -0.70 million.

Outlook

Element has continued discussions with interested parties that want to explore potential strategic alternatives together with Element. The Board is of the opinion that a strategic solution for Element is possible in today's market.

Responsibility statement

We confirm to the best of our belief that the financial statements for the first half of 2020, which have been prepared in accordance with IAS 34 – Interim Reporting, give a true and fair view of the company's assets, liabilities, financial position and results of operation.

Oslo, 31 August 2020, Board of Directors, Element ASA

Viggo Leisner
Board Member

Thomas Christensen
Chairman

Kari Mette Toverud
Board Member

Geir Johansen
CEO

Interim consolidated statement of profit and loss and other comprehensive income

(USD '000)	Note	Second quarter		First half		Year end
		30.06.2020	30.06.2019	30.06.2020	30.06.2019	31.12.2019
Net income/loss from equity acct. investments		-	-	-	-	156
Exploration and evaluation costs		-	-	-	-	-
Salary and social security cost		-118	-382	-551	-630	-1 145
Other operating expenses		-444	-571	-707	-1 208	-2 114
Operating loss		-562	-953	-1 257	-1 838	-3 103
Financial income		348	-24	1 286	-10	435
Financial costs		-821	-248	-848	-2 752	-6 549
Equity accounted investments	3	-	-	-	-	-
Net financial items		-473	-272	438	-2 762	-6 114
Loss before tax		-1 035	-1 225	-819	-4 600	-9 217
Income Taxes		-	-	-	-	-
Loss after tax		-1 035	-1 225	-819	-4 600	-9 217
Result discontinued operations, after tax	7	1 216	-269	1 071	-509	-4 831
Result for the period		181	-1 494	252	-5 109	-14 048
Basic and diluted earnings per share		0,01	-0,08	0,01	-0,27	-0,75
Basic and diluted earnings per share - continued operations		-0,05	-0,06	-0,04	-0,24	-0,49
Basic and diluted earnings per share - discontinued operations		0,06	-0,01	0,06	-0,03	-0,26
Other comprehensive income:						
Items that will be reclassified to income statement						
Currency translation adjustments		1 053	-54	-950	86	-128
Other comprehensive income		1 053	-54	-950	86	-128
Total comprehensive income		1 235	-1 548	-698	-5 023	-14 176
Total comprehensive income attributable to Element shareholders		1 235	-1 548	-698	-5 023	-14 176

Interim consolidated statement of financial position

<i>(USD '000)</i>	Note	First half 30.06.2020	Year end 31.12.2019
ASSETS			
Intangible asset		483	483
Financial investments	4	3 723	3 562
Property, plant and equipment		6	8
Equity accounted investments	3	-	-
Total non-current assets		4 212	4 053
Financial investments	4	624	553
Other receivables	4	96	104
Cash and cash equivalents	5	1 597	2 886
Total current assets		2 317	3 543
Assets classified as held for sale	7	-	64
Total Assets classified as held for sale		-	64
TOTAL ASSETS		6 529	7 660
EQUITY			
Share capital		3 493	3 440
Other paid-in-capital		94 706	94 657
Cumulative translation adjustments		10 784	11 733
Other equity		-102 692	-102 957
Total equity		6 291	6 872
LIABILITIES			
Other long term liabilities		-	-
Total long term liabilities		-	-
Trade payables	4	129	119
Convertible notes	4	-	-
Other current liabilities		110	141
Total current liabilities		239	260
Liabilities associated with assets classified as held for sale	7	-	529
Liabilities associated with assets classified as held for sale		-	529
TOTAL EQUITY AND LIABILITIES		6 529	7 660

Interim consolidated statement of cash flow

(USD '000)	Second quarter		First half		Year end
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	31.12.2019
Profit/-loss for the year, continued operations	-1 035	-1 225	-819	-4 601	-9 217
Profit/-loss for the year, discontinued operations	1 216	-269	1 071	-509	-4 831
Operating activities					
Depreciation	3	1	3	2	3
Non-cash expenses related to warrants and impairments	-	700	-	2 186	-
Change in trade and other receivables	-306	48	-181	132	404
Change in trade payables and other current liabilities	-42	-162	-18	-	-284
Warrants and impairment	-38	-	42	-	9 192
Change in assets held for sale	-358	-141	-521	-172	-148
Cash flow from operating activities	-560	-1 048	-423	-2 961	-4 881
Investment activities					
Net expenditure on property, plant and equipment	-	-	-	-	-
Equity accounted investments	-	-	-	-	-
Investment in other financial assets	-	-	-84	-	2 624
Cash flow from investment activities	-	-	-84	-	2 624
Financing activities					
Proceeds from new shares issued	103	-	103	315	1 035
Repurchase of shares	-	-82	-	-82	-80
Proceeds from borrowings	-	-	-	1 624	2 250
Cash flow from financing activities	103	-82	103	1 857	3 205
Net change in cash and cash equivalents	-457	-1 130	-404	-1 104	948
Cash and cash equivalents at the start of the period	1 992	2 153	2 950	2 127	2 127
Sum translation effects	61	86	-950	86	-125
Cash and cash equivalents at the end of the period for cont. and disc. Operations	1 596	1 109	1 596	1 109	2 950

Interim consolidated statement of changes in equity

<i>(USD '000)</i>	<i>Note</i>	<i>Share capital</i>	<i>Other paid-in capital</i>	<i>translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 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
<i>(USD '000)</i>		<i>Share capital</i>	<i>Other paid-in capital</i>	<i>translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2020		3 440	94 657	11 733	-30 345	-72 612	6 872
Loss for the period					-819	1 071	252
Discontinued operation					-71 540	71 540	-
Other comprehensive income				-950			-950
Total comprehensive income		-	-	-950	-72 360	72 612	-698
Capital increase		-	-	-	-	-	-
Repurchase of shares		-	-	-	-	-	-
Share options cost		-	-	-	13	-	13
Converted warrants		53	50	-	-	-	103
Total transactions with owners		53	50	-	13	-	116
Equity 30 June 2020		3 493	94 706	10 784	-102 692	-0	6 291

Notes to the interim consolidated financial statements

1 Information about the Group

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

As at the date of this report, the Group's main activity is to Invest In companies within the digital part of the economy.

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 2019, 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 2019. Future effects of new accounting standards were described in the Consolidated Financial Statements for 2019.

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 2019.

3 Investments accounted for using the equity method

(USD '000)	Second quarter		First half		Year end
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	31.12.2019
Opening balance	-	3 060	-	3 060	3 060
Net income/(loss) from equity accounted investments	-	-	-	-	-
Acquisitions and increase in paid in capital	-	-	-	-	-
Dividend and other distributions	-	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-	-
Divestments, derecognition and decrease in paid in capital	-	-	-	-	-3 060
Ending balance	-	3 060	-	3 060	-

4 Financial assets and liabilities

	First half	Year end
USD ('000)	30.06.2020	31.12.2019
Other long-term receivables	3 723	3 562
Other short-term receivables	624	500
Convertible loan notes	-	-
Derivatives	-	-
Proceeds from warrants	146	53
Cash and cash equivalents	1 597	2 866
Total financial assets	6 090	6 981
Convertible notes	-	-
Trade payables	-129	-119
Total financial liabilities	-129	-119

FAIR VALUES	Second quarter		Year end 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
USD ('000)				
Other long-term receivables	3 723	4 342	3 562	4 342
Other short-term receivables	624	624	500	500
Convertible loan notes	-	-	-	-
Derivatives	-	-	-	-
Investments in fund units	146	146	53	53
Cash and cash equivalents	1 597	1 597	2 866	2 866
Total financial assets	6 090	6 709	6 981	7 761
Convertible notes	-	-	-	-
Trade payables	-129	-129	-119	-119
Total financial liabilities	-129	-129	-119	-119

FAIR VALUE HIERARCHY	Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
USD ('000)				
Assets measured at fair value	30.06.2020	-	-	2 271
Assets measured at amortized cost	30.06.2020	-	1 791	-
Convertible loan notes	30.06.2020	-	-	-
Derivatives	30.06.2020	-	624	-
Investments in fund units	30.06.2020	-	146	-

FAIR VALUE HIERARCHY	Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
USD ('000)				
Assets measured at fair value	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	-	500	-
Investment in fund units	31.12.2019	-	-	-

5 Cash and cash equivalents

<i>(USD '000)</i>	First half	Year end
	30.06.2020	31.12.2019
Cash and bank deposits	1 449	2 843
Restricted bank deposits	148	42
Total cash and cash equivalents in the statement of financial position	1 597	2 885
Cash and cash equivalents related to discontinued operations	-	64
Cash and cash equivalents in the statements of cash flow	1 597	2 949

6 Related party disclosures

Name	Position	Shares	Options	CFDs
Thomas Christensen	Chairman of the board	1 400 000	100 000	-
Kari Mette Toverud	Member of the board	28 412	43 000	-
James Haft	Consultant	-	50 000	-
Geir Johansen	CEO	-	50 000	-
Hans Ola Haavelsrud	COO	-	50 000	-
Total		1 428 412	293 000	-

400.000 of the shares controlled by Mr. Christensen is owned through his company Easy2Connect AS.

7 Discontinued operations

(USD '000)	Second quarter		First half		Year end
	30.06.2020	30.06.2019	30.06.2020	30.06.2019	31.12.2019
Other Revenue	-	-	-	-	-8
Exploration and evaluation costs	-	-55	-	-83	-89
Salary and social security cost	-29	-89	-125	-178	-364
Other Operating expenses	-15	-125	-63	-248	-4 371
Operating loss	-44	-269	-188	-509	-4 831
Financial income	-	-	-	-	-
Financial costs	-	-	-	-	-
Net financial items	-	-	-	-	-
Loss before tax	-44	-269	-188	-509	-4 831
Deferred tax expense	-	-	-	-	-
Loss after tax	-44	-269	-188	-509	-4 831
Loss for the period	-44	-269	-188	-509	-4 831
Gain on sale discontinued operations	1 260	-	1 260	-	-
Net profit from discontinued operations	1 216	-	1 071	-	-

(USD '000)	First half	Year end
	30.06.2020	31.12.2019
ASSETS		
Exploration and evaluation assets	-	-
Property, plant and equipment	-	-
Total non-current assets	-	-
Other receivables	-	-
Other financial assets	-	-
Cash and cash equivalents	-	64
Total current assets	-	64
TOTAL ASSETS	-	64
LIABILITIES		
Deferred tax	-	202
Other long term liabilities	-	-
Total long term liabilities	-	202
Trade payables	-	166
Other current liabilities	-	161
Total current liabilities	-	327
TOTAL LIABILITIES	-	529

In May 2020, the Company sold all its Filipino legal entities and the mining licenses to a local Filipino mining company. The Company received a symbolic purchase price for the Filipino Entities. The purchase price may increase to USD 1 million if the mining ban currently in place in the Philippines is lifted within five years following the consummation of the transaction.

Reporting calendar

Financial reporting 2020

Quarterly Report – Q3 30.11.2020

Quarterly Report – Q4 26.02.2021

Contact details

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