

# First Quarter Report 2020

## Highlights of the first quarter 2020

- In January Element paid USD 100,000 for 0.46% of the common equity in GlobexUS Holdings, Corp, a Blockchain-as-a-Service solutions company, with the trading name Horizon-Globex. The company offers a suite of integrated blockchain software applications directed towards the financial sector. The solutions seek to combine Wall Street and Silicon Valley to power the next generation of exchanges and securities offerings in the U.S. and globally.
- On February 26 Element was informed that the buyer of the CMT units, Manco Group Osead, had closed the fund and sold all remaining fund units. As per the sales agreement, Element was entitled to receive 50% of any proceeds of a resale of the fund units, if a resale was to take place within 6 month after 25 October 2019. In February the fund units were re-sold for a unit price of EUR 4,157; thus, Element in February received additional EUR 173 085 for the units.

## Subsequent events

- On May 28, the Company announced that It had sold all Its Filipino legal entities and the mining licenses to a local Filipino 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.

## Financials

### FIRST QUARTER

Operating losses for the quarter amount to USD - 0.7 million (-0.9m), where USD -0.43 million (-0.25m) relates to board and employee cost.

Net Financial Items for the quarter were positive with USD 0.9 million (0.1m). The main reason for the positive contribution is unrealized currency effect from the revaluation of the loans issued to AMI as well as revaluation of USD deposit in bank. Additionally, the company received EUR 173.000 in additional payments for the CMT units as reported in the Q4-19 report.

Profit after tax was positive USD 0.2million (-3.8m)

Loss from discontinued operation (Mindoro) for the quarter was USD -0.15 million (-0.24m) which all relates to cost of running the Philippine organization and maintaining the mining license.

Net consolidated profit for the quarter, including discontinued operations (Mindoro), is positive USD 0.1 million (-3.6m).

At end of Q1 2020, cash and cash equivalents, including cash in the Philippines, amounted to USD 2.0 million (2.9m at Y.E. 2019).

Total assets at the end of the quarter equals USD 6.6 million (7.7m Y.E. 2018). The reduction of Total Asset values reflects the reduction in cash compared to end of year 2019.

Total equity at the end of quarter is USD 4.9 million (6.9m) with an equity ratio of 75%.

## Review of investments

### MINDORO NICKEL PROJECT - THE PHILIPPINES

On May 28, the Company announced that it had sold all its Filipino legal entities and the mining licenses to a local Filipino 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. The Filipino Entities have been sold to a local Philippine company on an "as-is, where-is"-basis, and the buyer has assumed all the Company's liabilities related to the Mindoro Nickel Project.

The financial effect of the transaction will be included in the H1/2020 financial report.

### PALCAPITAL VENTURES

Element acquired 100% of the shares in PALCapital Venture Inc (PCV) in Q3-19. PCV is an investment company with early stage investments within the digital and blockchain.

During Q1-20 Element/PCV participated with capital in the seed round for the US based company Horizon-Globex. Element acquired 0,46% of the common equity for USD 100 000 at a valuation of USD 20 million. Horizon-Globex offers a suite of blockchain software applications for compliant issuance and secondary trading of digital securities and their platform is SEC and FINRA approved. Since the seed round Horizon-Globex has since embarked on its Series A round of funding at a valuation of USD 50 million.

## Corporate activities

### PROSPECTUS

On 7 February 2020 Element published a prospectus to allow for 5.9 million shares, issued by Element ASA after the new Norwegian prospectus rules became effective in July 2019, to be tradeable on the Oslo Stock exchange.

## Outlook

Element has for some time been in discussions with other interested parties who want to explore potential strategic alternatives together with Element. With the restructuring of Element completed, the Company will continue to pursue these types of dialogue with a view to possibly present the shareholders of Element with one or several value enhancing transactions.

## Responsibility statement

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

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

Kris Gram  
*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	First quarter		Year to date		Year end
		31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/12/2019
Net income/loss from equity acct. investments		-	-	-	-	156
Exploration and evaluation costs		-	-	-	-	-
Salary and social security cost		-433	-247	-433	-247	-1,145
Other operating expenses		-262	-637	-262	-637	-2,114
<b>Operating loss</b>		<b>-695</b>	<b>-884</b>	<b>-695</b>	<b>-884</b>	<b>-3,103</b>
Financial income		938	13	938	13	435
Financial costs		-27	-2,505	-27	-2,505	-6,549
Equity accounted investments		-	-	-	-	-
<b>Net financial items</b>		<b>911</b>	<b>-2,492</b>	<b>911</b>	<b>-2,492</b>	<b>-6,114</b>
<b>Profit /-Loss before tax</b>		<b>216</b>	<b>-3,376</b>	<b>216</b>	<b>-3,376</b>	<b>-9,217</b>
Income Taxes		-	-	-	-	-
<b>Profit /-Loss after tax</b>		<b>216</b>	<b>-3,376</b>	<b>216</b>	<b>-3,376</b>	<b>-9,217</b>
Loss discontinued operations, after tax	6	-145	-240	-145	-240	-4,831
<b>Profit /-Loss for the period</b>		<b>71</b>	<b>-3,616</b>	<b>71</b>	<b>-3,616</b>	<b>-14,048</b>
Basic and diluted earnings per share		0.00	-0.03	0.00	-0.03	-0.75
Basic and diluted earnings per share - continued operations		0.01	-0.02	0.01	-0.02	-0.49
Basic and diluted earnings per share - discontinued operations		-0.01	-0.00	-0.01	-0.00	-0.26
<b>Other comprehensive income:</b>						
<b>Items that will be reclassified to income statement</b>						
Currency translation adjustments		-2,003	-11	-2,003	-11	-128
<b>Other comprehensive income</b>		<b>-2,003</b>	<b>-11</b>	<b>-2,003</b>	<b>-11</b>	<b>-128</b>
<b>Total comprehensive income</b>		<b>-1,932</b>	<b>-3,627</b>	<b>-1,932</b>	<b>-3,627</b>	<b>-14,176</b>
<b>Total comprehensive income attributable to Element shareholders</b>		<b>-1,932</b>	<b>-3,627</b>	<b>-1,932</b>	<b>-3,627</b>	<b>-14,176</b>

## Interim consolidated statement of financial position

<i>(USD '000)</i>	Note	Year to date 31/03/2020	Year end 31/12/2019
<b>ASSETS</b>			
Intangible asset		461	483
Financial investments	3	3,562	3,562
Property, plant and equipment		1	8
Equity accounted investments		-	-
<b>Total non-current assets</b>		<b>4,025</b>	<b>4,053</b>
Financial investments	3	479	553
Other receivables		85	104
Cash and cash equivalents	4	1,902	2,886
<b>Total current assets</b>		<b>2,466</b>	<b>3,543</b>
Assets classified as held for sale	6	100	64
<b>Assets classified as held for sale</b>		<b>100</b>	<b>64</b>
<b>TOTAL ASSETS</b>		<b>6,591</b>	<b>7,660</b>
<b>EQUITY</b>			
Share capital		3,440	3,440
Other paid-in-capital		94,657	94,657
Cumulative translation adjustments		9,731	11,733
Other equity		-102,878	-102,957
<b>Total equity</b>		<b>4,949</b>	<b>6,872</b>
<b>LIABILITIES</b>			
Other long term liabilities		-	-
<b>Total long term liabilities</b>		<b>-</b>	<b>-</b>
Trade payables		96	119
Convertible notes	3	-	-
Other current liabilities		187	141
<b>Total current liabilities</b>		<b>283</b>	<b>260</b>
Liabilities associated with assets classified as held for sale	6	1,359	529
<b>Liabilities associated with assets classified as held for sale</b>		<b>1,359</b>	<b>529</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,591</b>	<b>7,660</b>

## Interim consolidated statement of cash flow

<i>(USD '000)</i>	First quarter		Year to date		Year end
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/12/2019
Profit/-loss for the year, continued operations	216	-3,375	216	-3,375	-9,217
Profit/-loss for the year, discontinued operations	-145	-240	-145	-240	-4,831
<b>Operating activities</b>					
Depreciation	-	1	-	1	3
Non-cash expenses related to warrants and impairments	-	-	-	-	-
Change in trade and other receivables	125	84	125	84	404
Change in trade payables and other current liabilities	24	162	24	162	-284
Warrants and impairment	80	1,486	80	1,486	9,192
Change in assets held for sale	-163	-31	-163	-31	-148
<b>Cash flow from operating activities</b>	<b>137</b>	<b>-1,913</b>	<b>137</b>	<b>-1,913</b>	<b>-4,881</b>
<b>Investment activities</b>					
Net expenditure on property, plant and equipment	-	-	-	-	-
Equity accounted investments	-	-	-	-	-
Investment in other financial assets	-84	-	-84	-	2,624
<b>Cash flow from investment activities</b>	<b>-84</b>	<b>-</b>	<b>-84</b>	<b>-</b>	<b>2,624</b>
<b>Financing activities</b>					
Proceeds from new shares issued	-	315	-	315	1,035
Repurchase of shares	-	-	-	-	-80
Proceeds from borrowings	-	1,624	-	1,624	2,250
<b>Cash flow from financing activities</b>	<b>-</b>	<b>1,939</b>	<b>-</b>	<b>1,939</b>	<b>3,205</b>
Net change in cash and cash equivalents	53	26	53	26	948
Cash and cash equivalents at the start of the period	2,950	2,127	2,950	2,127	2,127
Sum translation effects	-1,011	-	-1,011	-	-125
<b>Cash and cash equivalents at the end of the period for cont. and disc. Operations</b>	<b>1,992</b>	<b>2,153</b>	<b>1,992</b>	<b>2,153</b>	<b>2,950</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 2019</b>		<b>1,229</b>	<b>93,392</b>	<b>11,861</b>	<b>-22,194</b>	<b>-67,781</b>	<b>16,507</b>
Loss for the period					-9,217	-4,831	-14,048
Other comprehensive income				-128			-128
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-128</b>	<b>-9,217</b>	<b>-4,831</b>	<b>-14,176</b>
Capital increase		2,229	1,326	-	537	-	4,091
Repurchase of shares		-19	-61	-	-	-	-80
Share options cost		-	-	-	188	-	188
Converted warrants		-	-	-	342	-	342
<b>Total transactions with owners</b>		<b>2,211</b>	<b>1,265</b>	<b>-</b>	<b>1,066</b>	<b>-</b>	<b>4,542</b>
<b>Equity 31 December 2019</b>		<b>3,440</b>	<b>94,657</b>	<b>11,733</b>	<b>-30,345</b>	<b>-72,612</b>	<b>6,872</b>
<i>(USD '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 2020</b>		<b>3,440</b>	<b>94,657</b>	<b>11,733</b>	<b>-30,345</b>	<b>-72,612</b>	<b>6,872</b>
Result for the period					216	-145	71
Other comprehensive income				-2,003			-2,003
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-2,003</b>	<b>216</b>	<b>-145</b>	<b>-1,932</b>
Capital increase		-	-	-	-	-	-
Repurchase of shares		-	-	-	-	-	-
Share options cost		-	-	-	8	-	8
Converted warrants		-	-	-	-	-	-
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>8</b>
<b>Equity 31 March 2020</b>		<b>3,440</b>	<b>94,657</b>	<b>9,731</b>	<b>-30,121</b>	<b>-72,757</b>	<b>4,949</b>



# 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 Financial assets and liabilities

	Year to date	Year end
USD ('000)	31/03/2020	31/12/2019
Other long-term receivables	3,562	3,562
Other short-term receivables	479	500
Convertible loan notes	-	-
Derivatives	-	-
Investments in fund units	128	53
Cash and cash equivalents	1,902	2,866
<b>Total financial assets</b>	<b>6,072</b>	<b>6,981</b>
Convertible notes	-	-
Trade payables	-96	-182
<b>Total financial liabilities</b>	<b>-96</b>	<b>-182</b>

FAIR VALUES	First quarter		Year end 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
USD ('000)				
Other long-term receivables	3,562	4,342	3,562	4,342
Other short-term receivables	479	479	500	500
Convertible loan notes	-	-	-	-
Derivatives	-	-	-	-
Investments in fund units	128	128	53	53
Cash and cash equivalents	1,902	1,902	2,866	2,866
<b>Total financial assets</b>	<b>6,072</b>	<b>6,852</b>	<b>6,981</b>	<b>7,761</b>
Convertible notes	-	-	-	-
Trade payables	-96	-96	-182	-182
<b>Total financial liabilities</b>	<b>-96</b>	<b>-96</b>	<b>-182</b>	<b>-182</b>

FAIR VALUE HIERARCHY	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
USD ('000)				
Assets measured at fair value	31/03/2020	-	-	2,271
Assets measured at amortized cost	31/03/2020	-	1,791	-
Convertible loan notes	31/03/2020	-	-	-
Derivatives	31/03/2020	-	479	-
Investments in fund units	31/03/2020	-	128	-
		Fair value measurement using		
		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	-	-	-

## 4 Cash and cash equivalents

	Year to date	Year end
(USD '000)	31/03/2020	31/12/2019
Cash and bank deposits	1,707	2,843
Restricted bank deposits	194	42
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>1,902</b>	<b>2,885</b>
Cash and cash equivalents related to discontinued operations	90	64
<b>Cash and cash equivalents in the statements of cash flow</b>	<b>1,992</b>	<b>2,949</b>

## 5 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	
Kris Gram	Member of the board		25,000	
James Haft	Consultant		50,000	
Geir Johansen	CEO		50,000	
Hans Ola Haavelsrud	COO		50,000	
<b>Total</b>		<b>1,428,412</b>	<b>318,000</b>	<b>-</b>

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

## 6 Discontinued operations

(USD '000)	First quarter		Year to date		Year end
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/12/2019
Other Revenue	-	-	-	-	-8
Exploration and evaluation costs	-	-28	-	-28	-89
Salary and social security cost	-96	-89	-96	-89	-364
Other Operating expenses	-48	-123	-48	-123	-4,371
<b>Operating loss</b>	<b>-145</b>	<b>-240</b>	<b>-145</b>	<b>-240</b>	<b>-4,831</b>
Financial income	-	-	-	-	-
Financial costs	-	-	-	-	-
<b>Net financial items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss before tax</b>	<b>-145</b>	<b>-240</b>	<b>-145</b>	<b>-240</b>	<b>-4,831</b>
Deferred tax expense	-	-	-	-	-
<b>Loss after tax</b>	<b>-145</b>	<b>-240</b>	<b>-145</b>	<b>-240</b>	<b>-4,831</b>
<b>Loss for the period</b>	<b>-145</b>	<b>-240</b>	<b>-145</b>	<b>-240</b>	<b>-4,831</b>
(USD '000)			<b>Year to date</b>	<b>Year end</b>	
			31/03/2020	31/12/2019	
<b>ASSETS</b>					
Exploration and evaluation assets			-	-	
Property, plant and equipment			5	-	
<b>Total non-current assets</b>			<b>5</b>	<b>-</b>	
Other receivables			5	-	
Other financial assets			-	-	
Cash and cash equivalents			90	64	
<b>Total current assets</b>			<b>95</b>	<b>64</b>	
<b>TOTAL ASSETS</b>			<b>100</b>	<b>64</b>	
<b>LIABILITIES</b>					
Deferred tax			984	202	
Other long term liabilities			-	-	
<b>Total long term liabilities</b>			<b>984</b>	<b>202</b>	
Trade payables			197	166	
Other current liabilities			179	161	
<b>Total current liabilities</b>			<b>376</b>	<b>327</b>	
<b>TOTAL LIABILITIES</b>			<b>1,359</b>	<b>529</b>	

# Reporting calendar

## Financial reporting 2020

Half year Report..... 31.08.2020

Quarterly Report – Q3 ..... 30.11.2020

Quarterly Report – Q4 ..... 26.02.2021

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