

# Second Quarter Report 2019

## Highlights of the second quarter 2019

- On April 23 an Extraordinary General Meeting approved the Board's recommendation to perform a reverse split of the Element share at a ratio of 20:1 with a new face value of NOK 1.6/share, effective on April 25, 2019.
- On April 30 the company announced that Cecilie Grue would step down as CEO. Subsequently Geir Johansen was announced as new CEO on June 5.
- On June 6 the company announced that it had partnered with PALCapital, New York, a company controlled by Mr. James Haft, for the development of a new digital initiative.
- On June 28 the company conducted its Annual General Meeting where a new Board of Directors was elected. The new Board consists of Thomas Christensen (Chairman), Kari Mette Toverud and Kris Gram.
- During Q2 ABO/EHGO converted a total of NOK 8.7 million to 5,052,884 shares at an average price of NOK 3.14 per share.
- During Q2 Element bought back 131,416 own shares at an average price of NOK 5.32 per share.

## Subsequent events

- On July 3 Element made a drawdown of NOK 5 million under the convertible note facility.
- On July 15 Element ASA announced that the company is evaluating the strategic alternatives for the company's investments in AMI, Canada.
- On August 14 the company announced that it had acquired 100% of the shares of PALCapital Ventures Inc. in order to strengthen its position within the digital and block chain sector. The consideration for the shares in PALCapital, shall be settled by Element against the issuance of 2,650,000 new shares in Element at par value of NOK 1.60.
- So far in Q3, ABO/EHGO has converted an additional NOK 11.2 million to 2,770,250 shares at an average price of NOK 2.22 per share. Consequently ABO/EHGO at the end of Q2 holds 21 notes each with a face value NOK 100 000, (in total NOK 2,100,000) which could be converted to shares.

## Financials

Operating losses for the quarter amount to USD -1.0 million (-0.8m), where USD -0.4 million (-0.2m) relates to board and employee cost.

Net financial cost for the quarter equals USD -0.3 million (-1.2m) where all the cost is a calculated non-cash item.

Net loss after-tax amount to USD -1.5 million for the quarter (USD -2.2 million).

Element did not make any further drawdowns under the convertible ABO facility's during second quarter. ABO has converted NOK 8.7 million to 2.77 million ELE shares during the quarter. Element has recognized a convertible debt of total NOK 8,6 million (USD 1.0 million) in the balance sheet at the end of the quarter to account for the part of the NOK 20 million sub tranche which at the end of Q2 had not yet been converted to shares by ABO.

At 30 June 2019, cash and cash equivalents, including cash in the Philippines, amounted to USD 1.1. million (USD 3.3 million at Y.E. 2018).

Total assets at the end of the quarter equals USD 17.4 million (19.6m at Y.E. 2018). The activities in Philippines continue to be accounted for as assets held for sale with a total asset value of USD 5.8 million at the end of the quarter (5.7m at Y.E. 2018).

Total equity at the end of quarter is USD 13.5 million (16.5) with an equity ratio of 78%.

## Review of project portfolio

### AMBERSHAW METALLICS INC - CANADA

AMI is a Canadian metals and mining company which holds rights to an Iron ore deposit in NW Ontario, Canada. AMI is controlled by Legacy Hill Resources (LHR). Element today holds 26,7% of the shares in AMI and has additionally provided a convertible loan to AMI for a total amount of USD 4.85m. The convertible loan combined with a share swap agreement between Element and LHR, can bring Element's stake in AMI to 51% by 31 December 2020.

As announced in the stock exchange notice on July 15, Element is now considering selling or otherwise monetize all or parts of its investment in AMI due to the change of development strategy for the iron resource in Bending Lake.

Mr. Ostrop, who joined AMI as COO in Q1 2019, unfortunately handed in his resignation during Q2 and had his last day of employment on July 31, 2019. Legacy Hill Resources will now manage the project with own resources.

### OCEAD FUND - INDIRECT OWNERSHIP IN CMT

Element owns 396 fund units in Osead fund, Luxembourg which equals 3.96% of total units in the fund. The Osead fund indirectly controls 37% of the outstanding shares in CMT. CMT is the second largest mining company in Morocco founded in 1974, listed on the Casablanca Stock Exchange and specializing in the exploration, extraction and processing of base metal, precious metal and industrial metal ores.

On March 31 the company announced among other things, that it will consider selling the 396 fund units in Osead Fund. Over the last quarter Element has had discussions with potential buyers for the fund units, however, so far none of these discussions has concluded with a sale.

### MINDORO NICKEL PROJECT – THE PHILIPPINES

Mindoro Nickel is a nickel-laterite deposit, which was discovered by Element in 1996. Since 31 December 2015, Element's primary focus has been to realize the value in the Mindoro Nickel Project through a sale of the asset or a strategic partnership.

In June 2019, the company conducted metallurgical laboratory tests at SINTEF, Norway aiming at upgrading nickel laterite ore from the Mindoro project using CRSM technology which is described in open scientific literature. The lab tests were performed in the context of the doing due diligence on a contemplated investment in CRSM technology, an investment which the Company has been contemplating for the past three years. Specifically, the goal of the lab tests was to validate whether laterite ore upgrading based on procedures described in open literature was able to produce similar or better results than the results obtained over the past two years. In conclusion, the test works at SINTEF based on ore processing procedures described in the open literature, yielded better upgrading results than the CRSM technology previously contemplated by Element. Further, SINTEF concludes that the upgrading of Mindoro laterite by selective reduction and magnetic separation could be a possible route to valorization of the ore, in line with general industry practice.

Based on the SINTEF laboratory tests, the company has decided to stop the planned investment to gain access to the CRSM technology, as this technology and procedure is described and has been available in open literature since 2010, and thus freely available for the company to deploy and use.

The political and regulatory climate continue to adversely affect the Mindoro project and the Company has during the quarter prepared for legally addressing the Provincial Moratorium Ordinances and have them declared as unconstitutional by judicial authority.

On 28 August 2019, the Company invoked the Force Majeure clause in the MPSA agreement. This was done

for Element to be relieved of some of the obligations under the MPSA, which the company is not able to execute due to the Moratorium and the Cease and Desist Order received in April 2019. The company is of the opinion that invoking the Force Majeure clause would also defer the expiry date of the MPSAs.

Currently there is no ongoing mining related activity by for the company on Mindoro other than community engagement activities which are required to continue in order to comply with the MPSA obligations.

The company has taken steps to reduce the cash burn in the Philippines, primarily through staff reductions, while at the same time keeping sufficient resources in the organization to comply with MPSA requirements related to mandatory community engagements.

## TOKEN/DIGITAL PROJECT

Element, as an early mover, announced in early 2017 its ambition to part-take in the developing digital economy through, among other things, issuing the Iron Token.

While considerable efforts have been spent on the project, Element has previously communicated that the Iron token project has been put on hold for the company to undertake a thorough review of the regulatory regime and the feasibility of the project. With the decision to potentially exit the investment in the AMI iron ore project in Bending Lake, one of the central pillars in the Iron token project has vanished and the company no longer considers the Iron Token project to be realistic. Consequently, Element has decided that the project will not be realized, and no further efforts will be spent on this aspect of the digital strategy.

Because of stopping the token project, Element has had to rethink how the company could leverage the insights it has gained from the token project to develop business within digital and blockchain industry.

On August 14, Element announced the acquisition of 100% of the shares in PALCapital Venture Inc (PCV). PCV is an investment company with early stage investments within the digital and blockchain sectors. More

specifically, PCV holds rights to equity and/or rights to tokens (when issued) in 4 different companies within the digital and blockchain industry.

For many investors, both funds and individuals, who want to have exposure to the digital economy but want or must be invested in liquid assets, Element will now be able to offer the investors exposure to the digital industry, while at the same time letting the investor stay in a liquid security, the Element share, which they could trade on a regulated market place, Oslo Børs.

Through buying PALCapital Venture, Element takes the first step towards creating this opportunity for existing and new shareholders in Element. PCV offers exposure to companies within the digital and blockchain industry. All assets in PCV represents exposure to the very early phase in the portfolio companies lives, and Element has been able to negotiate a purchase price for PCV which balances the risk that exists in early phase blockchain/digital companies with the potential reward to be realized when exiting the underlying assets in the future.

## Financing

### THE ABO FACILITY

At the time of this report the company has drawn NOK 25 million out of the 50 million available under tranche 3. Of the 25 million drawn, ABO has converted NOK 22.6 million to shares, thus NOK 2.4 million remains to be converted to shares by ABO. By doing the reverse share split in April 2019, the company reduced the effect of ABO's right to round off the conversion price to the first decimal of the share price and thereby reducing the dilution effect from the conversion on the shareholders.

## Outlook

Element will continue the restructuring process with a view to exit, in full or in part, from Mindoro, CMT and AMI. Prices of ore and other natural resources will partly determine the outcome of the restructuring process.

The company will continue to look for investment opportunities within the blockchain space, which represents an area of the economy which continues to expand and evolve.

## 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, 30 August 2019, 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 | Second quarter |               | First half    |               | Year end       |
|--|------|----------------|---------------|---------------|---------------|----------------|
|  |      | 6/30/2019      | 6/30/2018     | 6/30/2019     | 6/30/2018     | 12/31/2018     |
| Net income/loss from equity acct. investments                          |      | -              | -80           | -             | -116          | 0              |
| Exploration and evaluation costs                                       |      | -              | 1             | -             | -3            | -3             |
| Salary and social security cost  |      | -382           | -193          | -630          | -347          | -1,228         |
| Other operating expenses   |      | -571           | -567          | -1,208        | -1,072        | -2,571         |
| <b>Operating loss</b>  |      | <b>-953</b>    | <b>-838</b>   | <b>-1,838</b> | <b>-1,537</b> | <b>-3,801</b>  |
| Financial income   |      | -24            | -2            | -10           | 15            | 209            |
| Financial costs  |      | -248           | -1,229        | -2,752        | -1,264        | -9,084         |
| Equity accounted investments   | 3    | -              | -             | -             | -             | -391           |
| <b>Net financial items</b>   |      | <b>-272</b>    | <b>-1,231</b> | <b>-2,762</b> | <b>-1,249</b> | <b>-9,266</b>  |
| <b>Loss before tax</b>   |      | <b>-1,225</b>  | <b>-2,069</b> | <b>-4,600</b> | <b>-2,786</b> | <b>-13,068</b> |
| Income Taxes   |      | -              | -             | -             | -             | -              |
| <b>Loss after tax</b>  |      | <b>-1,225</b>  | <b>-2,069</b> | <b>-4,600</b> | <b>-2,786</b> | <b>-13,068</b> |
| Loss discontinued operations, after ta                                 | 7    | -269           | -146          | -509          | -291          | -854           |
| <b>Loss for the period</b>   |      | <b>-1,494</b>  | <b>-2,215</b> | <b>-5,109</b> | <b>-3,077</b> | <b>-13,922</b> |
| Basic and diluted earnings per share                                   |      | -0.15          | -0.03         | -0.52         | -0.04         | -0.15          |
| Basic and diluted earnings per share - continued operations            |      | -0.13          | -0.03         | -0.47         | -0.04         | -0.14          |
| Basic and diluted earnings per share - discontinued operations         |      | -0.03          | -0.00         | -0.05         | -0.00         | -0.01          |
| <b>Other comprehensive income:</b>                                     |      |                |               |               |               |                |
| <b>Items that will be reclassified to income statement</b>             |      |                |               |               |               |                |
| Currency translation adjustments                                       |      | 97             | -54           | 86            | -156          | 1,351          |
| <b>Other comprehensive income</b>                                      |      | <b>97</b>      | <b>-54</b>    | <b>86</b>     | <b>-156</b>   | <b>1,351</b>   |
| <b>Total comprehensive income</b>                                      |      | <b>-1,397</b>  | <b>-2,269</b> | <b>-5,023</b> | <b>-3,233</b> | <b>-12,570</b> |
| <b>Total comprehensive income attributable to Element shareholders</b> |      | <b>-1,397</b>  | <b>-2,269</b> | <b>-5,023</b> | <b>-3,233</b> | <b>-12,570</b> |

## Interim consolidated statement of financial position

| <i>(USD '000)</i>   | Note | <b>First half</b><br>6/30/2019 | <b>Year end</b><br>12/31/2018 |
|---|------|--------------------------------|-------------------------------|
| <b>ASSETS</b>   |      |                                |                               |
| Property, plant and equipment   |      | 9                              | 10                            |
| Equity accounted investments  | 3    | 3,060                          | 3,060                         |
| <b>Total non-current assets</b>                                       |      | <b>3,069</b>                   | <b>3,070</b>                  |
| Financial investments   | 4    | 6,113                          | 7,252                         |
| Other receivables   | 4    | 1,500                          | 1,632                         |
| Cash and cash equivalents   | 5    | 887                            | 1,878                         |
| <b>Total current assets</b>   |      | <b>8,500</b>                   | <b>10,762</b>                 |
| Assets classified as held for sale                                    | 7    | 5,838                          | 5,718                         |
| <b>Assets classified as held for sale</b>                             |      | <b>5,838</b>                   | <b>5,718</b>                  |
| <b>TOTAL ASSETS</b>   |      | <b>17,407</b>                  | <b>19,550</b>                 |
| <b>EQUITY</b>   |      |                                |                               |
| Share capital   |      | 1,814                          | 1,229                         |
| Other paid-in-capital   |      | 94,062                         | 93,392                        |
| Cumulative translation adjustments                                    |      | 11,947                         | 11,861                        |
| Other equity  |      | -94,309                        | -89,975                       |
| <b>Total equity</b>   |      | <b>13,515</b>                  | <b>16,507</b>                 |
| <b>LIABILITIES</b>  |      |                                |                               |
| Other long term liabilities   |      | -                              | -                             |
| <b>Total long term liabilities</b>                                    |      | <b>-</b>                       | <b>-</b>                      |
| Trade payables  |      | 184                            | 261                           |
| Convertible notes   | 4    | 1,009                          | -                             |
| Other current liabilities   |      | 504                            | 563                           |
| <b>Total current liabilities</b>                                      |      | <b>1,697</b>                   | <b>824</b>                    |
| Liabilities associated with assets classified as held for sale        | 7    | 2,195                          | 2,219                         |
| <b>Liabilities associated with assets classified as held for sale</b> |      | <b>2,195</b>                   | <b>2,219</b>                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |      | <b>17,407</b>                  | <b>19,550</b>                 |

## Interim consolidated statement of cash flow

| <i>(USD '000)</i>  | Second quarter |               | First half    |               | Year end      |
|--|----------------|---------------|---------------|---------------|---------------|
|  | 6/30/2019      | 6/30/2018     | 6/30/2019     | 6/30/2018     | 12/31/2018    |
| Profit/-loss for the year, continued operations  | -1,225         | -2,069        | -4,601        | -2,786        | -13,068       |
| Profit/-loss for the year, discontinued operations                                       | -269           | -146          | -509          | -291          | -854          |
| <b>Operating activities</b>  |                |               |               |               |               |
| Depreciation   | 1              | 1             | 2             | 3             | -             |
| Non-cash expenses related to warrants and impairment                                     | 442            | 2,573         | 1,927         | 4,577         | 7,660         |
| Change in trade and other receivables  | 48             | -1,716        | 132           | -1,739        | -666          |
| Change in trade payables and other current liabilities                                   | 96             | 1,821         | 259           | 3,027         | -646          |
| Warrants and impairment  | -              | -             | -             | -             | -             |
| Change in assets held for sale   | -141           | 44            | -172          | 121           | 296           |
| <b>Cash flow from operating activities</b>   | <b>-1,048</b>  | <b>508</b>    | <b>-2,961</b> | <b>2,912</b>  | <b>-7,278</b> |
| <b>Investment activities</b>   |                |               |               |               |               |
| Net expenditure on property, plant and equipment   | -              | -             | -             | -             | -8            |
| Equity accounted investments   | -              | -4,778        | -             | -2,915        | -2,915        |
| Investment in other financial assets   | -              | -             | -             | -3,697        | -6,708        |
| <b>Cash flow from investment activities</b>  | <b>-</b>       | <b>-4,778</b> | <b>-</b>      | <b>-6,612</b> | <b>-9,631</b> |
| <b>Financing activities</b>  |                |               |               |               |               |
| Proceeds from new shares issued  | -              | 3,581         | 315           | 4,422         | 15,230        |
| Repurchase of shares   | -82            | -             | -82           | -             | -253          |
| Proceeds from borrowings   | -              | -             | 1,624         | -             | -             |
| <b>Cash flow from financing activities</b>   | <b>-82</b>     | <b>3,581</b>  | <b>1,857</b>  | <b>4,422</b>  | <b>14,977</b> |
| Net change in cash and cash equivalents  | -1,130         | -689          | -1,104        | 723           | -1,932        |
| Cash and cash equivalents at the start of the period                                     | 2,153          | 4,018         | 2,127         | 2,708         | 2,708         |
| Sum translation effects  | 86             | -54           | 86            | -156          | 1,351         |
| <b>Cash and cash equivalents at the end of the period for cont. and disc. Operations</b> | <b>1,109</b>   | <b>3,275</b>  | <b>1,109</b>  | <b>3,275</b>  | <b>2,127</b>  |



## Interim consolidated statement of changes in equity

| <i>(USD '000)</i>                     | <i>Note</i> | <i>Share capital</i> | <i>Other paid-<br/>in capital</i> | <i>translation<br/>adjustments</i> | <i>Other<br/>equity</i> | <i>Held for<br/>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                   |             |                      |                                   |                                    | -13,068                 | -854                     | -13,922        |
| Other comprehensive income            |             |                      |                                   | 1,351                              |                         |                          | 1,351          |
| <b>Total comprehensive income</b>     |             |                      |                                   | <b>1,351</b>                       | <b>-13,068</b>          | <b>-854</b>              | <b>-12,570</b> |
| Capital increase                      |             | 597                  | 14,634                            |                                    | -                       |                          | 15,231         |
| Repurchase of shares                  |             | -11                  | -242                              |                                    | -                       |                          | -253           |
| Share options cost                    |             |                      |                                   |                                    | 6,916                   |                          | 6,916          |
| Converted warrants                    |             |                      |                                   |                                    | 744                     |                          | 744            |
| <b>Total transactions with owners</b> |             | <b>586</b>           | <b>14,392</b>                     |                                    | <b>7,659</b>            |                          | <b>22,637</b>  |
| <b>Equity 31 December 2018</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>  |
| <i>(USD '000)</i>                     |             | <i>Share capital</i> | <i>Other paid-<br/>in capital</i> | <i>translation<br/>adjustments</i> | <i>Other<br/>equity</i> | <i>Held for<br/>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                   |             |                      |                                   |                                    | -4,600                  | -509                     | -5,109         |
| Other comprehensive income            |             |                      |                                   | 86                                 |                         |                          | 86             |
| <b>Total comprehensive income</b>     |             | <b>-</b>             | <b>-</b>                          | <b>86</b>                          | <b>-4,600</b>           | <b>-509</b>              | <b>-5,023</b>  |
| Capital increase                      |             | 605                  | 733                               | -                                  | 299                     | -                        | 1,637          |
| Repurchase of shares                  |             | -19                  | -63                               | -                                  | -                       | -                        | -82            |
| Share options cost                    |             | -                    | -                                 | -                                  | 194                     | -                        | 194            |
| Converted warrants                    |             | -                    | -                                 | -                                  | 282                     | -                        | 282            |
| <b>Total transactions with owners</b> |             | <b>585</b>           | <b>670</b>                        | <b>-</b>                           | <b>775</b>              | <b>-</b>                 | <b>2,031</b>   |
| <b>Equity 30 June 2019</b>            |             | <b>1,814</b>         | <b>94,062</b>                     | <b>11,947</b>                      | <b>-26,020</b>          | <b>-68,290</b>           | <b>13,515</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 Karenslyst Allé 53, 0279 Oslo, Norway. The Group's shares are listed on the Oslo Stock Exchange.

As at the date of this report, the Group's main activity is to identify assets close to or in production for investment.

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

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

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

### ACCOUNTING PRINCIPLES

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

### ESTIMATES

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

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

### 3 Investments accounted for using the equity method

| <i>(USD '000)</i>                                       | Second quarter |              | First half   |              | Year end     |
|---|----------------|--------------|--------------|--------------|--------------|
|   | 6/30/2019      | 6/30/2018    | 6/30/2019    | 6/30/2018    | 12/31/2018   |
| Opening balance   | 3,060          | 3,415        | 3,060        | 428          | 428          |
| Net income/(loss) from equity accounted investments     | -              | -80          | -            | -116         | -391         |
| Acquisitions and increase in paid in capital            | -              | -            | -            | 3,023        | 3,023        |
| Dividend and other distributions                        | -              | -            | -            | -            | -            |
| Other comprehensive income/(loss)                       | -              | 7            | -            | 7            | -            |
| Divestments, derecognition and decrease in paid in capi | -              | -            | -            | -            | -            |
| <b>Ending balance</b>                                   | <b>3,060</b>   | <b>3,343</b> | <b>3,060</b> | <b>3,343</b> | <b>3,060</b> |

## 4 Financial assets and liabilities

| USD ('000)                         | First half<br>6/30/2019 | Year end<br>12/31/2018 |
|------------------------------------|-------------------------|------------------------|
| Convertible loan notes             | 5,034                   | 5,034                  |
| Derivatives                        | -                       | 1,132                  |
| Investments in fund units          | 1,079                   | 1,086                  |
| Cash and cash equivalents          | 887                     | 1,878                  |
| <b>Total financial assets</b>      | <b>7,000</b>            | <b>9,130</b>           |
| Convertible notes                  | -1,009                  | -                      |
| Trade payables                     | -184                    | -261                   |
| <b>Total financial liabilities</b> | <b>-1,193</b>           | <b>-721</b>            |

### FAIR VALUES

| USD ('000)                         | Second quarter         |                   | Year end               |                   |
|------------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                    | <i>Carrying amount</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Fair value</i> |
| Convertible loan notes             | 5,034                  | 5,034             | 5,034                  | 5,034             |
| Derivatives                        | -                      | -                 | 1,132                  | 1,132             |
| Investments in fund units          | 1,079                  | 1,079             | 1,086                  | 1,086             |
| Cash and cash equivalents          | 887                    | 887               | 1,878                  | 1,878             |
| <b>Total financial assets</b>      | <b>7,000</b>           | <b>7,000</b>      | <b>9,130</b>           | <b>9,130</b>      |
| Convertible notes                  | -1,009                 | -1,009            | -                      | -                 |
| Trade payables                     | -184                   | -184              | -261                   | -261              |
| <b>Total financial liabilities</b> | <b>-1,193</b>          | <b>-1,193</b>     | <b>-261</b>            | <b>-261</b>       |

### FAIR VALUE HIERARCHY

| USD ('000)                    | <i>Date of valuation</i> | Fair value measurement using                     |  |  |
|-------------------------------|--------------------------|--|--|--|
|                               |                          | <i>Quoted prices in active markets (Level 1)</i> | <i>Significant observable inputs (Level 2)</i> | <i>Significant unobservable inputs (Level 3)</i> |
| Assets measured at fair value |                          |  |  |  |
| Convertible loan notes        | 6/30/2019                | -  | -  | 5,034  |
| Derivatives                   | 6/30/2019                | -  | -  | -  |
| Investments in fund units     | 6/30/2019                | -  | 1,079  | -  |
|                               |                          |  |  |  |
| USD ('000)                    | <i>Date of valuation</i> | Fair value measurement using                     |  |  |
|                               |                          | <i>Quoted prices in active markets (Level 1)</i> | <i>Significant observable inputs (Level 2)</i> | <i>Significant unobservable inputs (Level 3)</i> |
| Assets measured at fair value |                          |  |  |  |
| Convertible loan notes        | 12/31/2018               | -  | -  | 5,034  |
| Derivatives                   | 12/31/2018               | -  | 1,132  | -  |
| Investment in fund units      | 12/31/2018               | -  | 1,086  | -  |

## 5 Cash and cash equivalents

| <i>(USD '000)</i>   | <b>First half</b> | <b>Year end</b> |
|---|-------------------|-----------------|
|   | 6/30/2019         | 12/31/2018      |
| Cash and bank deposits  | 353               | 1,494           |
| Restricted bank deposits  | 534               | 384             |
| <b>Total cash and cash equivalents in the statement of financial position</b> | <b>887</b>        | <b>1,878</b>    |
| Cash and cash equivalents related to discontinued operations                  | 222               | 250             |
| <b>Cash and cash equivalents in the statements of cash flow</b>               | <b>1,109</b>      | <b>2,128</b>    |

## 6 Related party disclosures

| <b>Name</b>         | <b>Position</b>       | <b>Shares</b>  | <b>Options</b> | <b>CFDs</b> |
|---------------------|-----------------------|----------------|----------------|-------------|
| Thomas Christensen  | Chairman of the board | 400,000        | 100,000        |             |
| Kari Mette Toverud  | Member of the board   | 28,412         | 100,000        |             |
| Kris Gram           | Member of the board   |                | 25,000         |             |
| Geir Johansen       | CEO                   |                | 50,000         |             |
| Hans Ola Haavelsrud | COO                   |                | 50,000         |             |
| <b>Total</b>        |                       | <b>428,412</b> | <b>325,000</b> | <b>-</b>    |

## 7 Discontinued operations

| (USD '000)                       | Second quarter |             | First half  |             | Year end    |
|----------------------------------|----------------|-------------|-------------|-------------|-------------|
|                                  | 6/30/2019      | 6/30/2018   | 6/30/2019   | 6/30/2018   | 12/31/2018  |
| Other Revenue                    | -              | -           | -           | -           | -           |
| Exploration and evaluation costs | -55            | -25         | -83         | -43         | -20         |
| Salary and social security cost  | -89            | -80         | -178        | -160        | -340        |
| Other Operating expenses         | -125           | -44         | -248        | -92         | -325        |
| <b>Operating loss</b>            | <b>-269</b>    | <b>-149</b> | <b>-509</b> | <b>-295</b> | <b>-686</b> |
| Financial income                 | -              | 2           | -           | 4           | -           |
| Financial costs                  | -              | -           | -           | -           | -           |
| <b>Net financial items</b>       | <b>-</b>       | <b>2</b>    | <b>-</b>    | <b>4</b>    | <b>-</b>    |
| <b>Loss before tax</b>           | <b>-269</b>    | <b>-146</b> | <b>-509</b> | <b>-295</b> | <b>-686</b> |
| Deferred tax expense             | -              | -           | -           | -           | -168        |
| <b>Loss after tax</b>            | <b>-269</b>    | <b>-146</b> | <b>-509</b> | <b>-295</b> | <b>-854</b> |
| <b>Loss for the period</b>       | <b>-269</b>    | <b>-146</b> | <b>-509</b> | <b>-295</b> | <b>-854</b> |

| (USD '000)                         | First half   | Year end     |
|------------------------------------|--------------|--------------|
|                                    | 6/30/2019    | 12/31/2018   |
| <b>ASSETS</b>                      |              |              |
| Exploration and evaluation assets  | 5,471        | 5,328        |
| Property, plant and equipment      | 4            | 5            |
| <b>Total non-current assets</b>    | <b>5,475</b> | <b>5,333</b> |
| Other receivables                  | 55           | 52           |
| Other financial assets             | 86           | 83           |
| Cash and cash equivalents          | 222          | 250          |
| <b>Total current assets</b>        | <b>363</b>   | <b>385</b>   |
| <b>TOTAL ASSETS</b>                | <b>5,838</b> | <b>5,718</b> |
| <b>LIABILITIES</b>                 |              |              |
| Deferred tax                       | 200          | 195          |
| Other long term liabilities        | 0            | 0            |
| <b>Total long term liabilities</b> | <b>200</b>   | <b>195</b>   |
| Trade payables                     | 149          | 182          |
| Other current liabilities          | 1,846        | 1,842        |
| <b>Total current liabilities</b>   | <b>1,995</b> | <b>2,024</b> |
| <b>TOTAL LIABILITIES</b>           | <b>2,195</b> | <b>2,219</b> |

## Reporting calendar

### Financial reporting 2019

Quarterly Report – Q3 ..... 29.11.2019

Quarterly Report – Q4 ..... 28.02.2020

### Contact details

Element ASA  
Karenslys Allé 53  
0279 Oslo  
Norway  
[www.elementasa.com](http://www.elementasa.com)