

European High Growth Opportunities
 Securitization Fund
 18, rue Robert Stümper
 L2557, Luxembourg

Oslo, 26 August 2019

Re: Request for information – Responses

We refer to your letter of 16 August 2019 requesting certain information in relation to Element ASA's ("**Element**" or the "**Company**") acquisition of all shares in PALCapital Ventures, Inc. ("**PALCapital**") (the "**Transaction**"). We further refer to the EGM held by the Company on 19 August 2019 where some of the same questions were put forward by ABOs representative in the EGM.

Our responses are set out directly below the quotations of your questions.

QUESTION:

a. Information as to the extent of Element's due diligence of PalCapital, including with respect to its four investments:

- AdNode
- metaMe
- TradeStars
- SportsCastr

In this respect, also specify the expected capital requirements for these holdings (including with respect to the exercise of its option rights to equity) with respect to the next 24 months and if are there any commitments to provide such entities (or others) with funding (whether by PalCapital or the Issuer.

RESPONSE

PalCapital Ventures Inc was a newly established legal entity with no prior trading activity. We conducted a limited commercial and legal due diligence review of PALCapital and its holdings. The due diligence focused on:

- a) legal aspects of incorporation and control of PalCapital.
- b) The agreements entered into between PALCapital and the portfolio companies set out above. The focus of the review was on understanding the terms of the agreements and the rights granted to PALCapital, and the obligations (only a limited number of obligations is placed on PALCapital under the agreements).
- c) In June 2019, the CEO and Chairman of Element ASA met the CEOs of three of the portfolio companies to better understand the business model and execution capability of the company.

In addition to the due diligence review being completed to our satisfaction, the share purchase agreement for the Transaction contain customary representations and warranties which support our due diligence findings.

Related to AdNode, Element has an option to invest in notes convertible into equity for USD 50 000. The option expires in October 2019.No other capital commitments exist

QUESTION:

b. Element's valuation methodology with respect to PalCapital. In this respect also Element's own view on its own share price as consideration payment for PalCapital.

RESPONSE

Element valued PalCapital based on the rights and benefits PalCapital hold under the agreement it has signed with each of the portfolio companies at the time of the Transaction. The face value of these rights and benefits were assessed and discounted based on best judgement of the probability of undertaking a token event by each of the relevant portfolio companies as well as time until such token event was expected to take place. Additionally, Element considered PalCapital's ability to continue to identify and develop future opportunities within the digital economy.

The share price as consideration payment for the transaction was considered and found to be fair by the Board and by the management.

QUESTION:

c. The Board's valuation statement and auditor confirmation on the Transaction.

RESPONSE

The auditor's confirmation can be found enclosed to this message.

QUESTION:

d. Explanation as to what the role of James Haft will be and what is/will be his remuneration in PalCapital and/or Element.

RESPONSE

James Haft has been engaged by Element as a consultant since May 2019 with monthly contractual payment of USD 17 000 per month. In addition to the monthly payment, the Board has granted James Haft 50 000 share options to ensure that he is sufficiently incentivized to contribute to the value creation in Element going forward. The option grant has also been approved by the annual general meeting in 2019. Additionally, Element may cover travel- and incidental expenses when appropriate. Element intends to extend, renew or re-negotiate an agreement with James Haft to ensure that the company have access to him for as long as the company see the benefit from this relationship.

QUESTION:

e. The role of ProCorp in the transaction and what fees and other remuneration have been paid to ProCorp and/or ProCorp has the right to receive.

RESPONSE

ProCorp has acted as transaction advisor to the management of Element ASA. ProCorp has been paid approximately NOK 180 000 for assistance for this specific Transaction.

QUESTION:

f. What were the overall transaction costs for Element and other cash outlays with respect to the Transaction.

RESPONSE

- Expenses for ProCorp as transaction advisor: NOK 180 000
- Legal advisor: approx. NOK 300 000
- Transaction cost in USA: expected approx. USD 32 000.

In addition to this, internal time has been spent but not accounted for here.

QUESTION:

g. What is the nature of the relationship between Thomas Christensen and James Haft. Does James Haft have, or has it ever had, any contractual relationship with the Issuer prior to the execution of the Transaction? Are Thomas Christensen and James Haft acting in concert in connection with their respective investments in the Issuer (any such acting in concert would trigger additional reporting requirements).

RESPONSE

Element is, and was prior to the Transaction, aware that Thomas Christensen and James Haft have known each other on a professional level since August 2016. Element is not aware of any relationship between Thomas Christensen and James Haft beyond the professional level. Thomas Christensen and James Haft are not acting in concert in connection with their respective investments in Element.

As to the relationship between Element and James Haft prior to the execution of the contract we refer to our response under letter d) of this response.

QUESTION:

h. What rights does James Haft have to any Shares of the Issuer (whether contingent or non-contingent) other than with respect to the Shares which were paid to James Haft as consideration pursuant to the Transaction.

RESPONSE

James Haft has been granted 50 000 share options which gives right to 50 000 shares in Element ASA, ref our response under letter d).

QUESTION:

i. We note that the Issuer had acquired Shares of the Issuer recently, and at the time of the last Annual General Meeting (or shortly before) held Shares of the Issuer comprising approximately 20% of the share capital of the Issuer.

What happened to these Shares, and under what circumstances were they disposed of by the Issuer?

RESPONSE

On 26 April 2019, the Company purchased 21,150 own shares under a share buyback programme and reported a total holding of 197,992 own shares (corresponding to 2.58% of the then outstanding shares in the Company). Following this date, the Company has neither acquired nor divested any own shares and the total holding of own shares remain unchanged. As of the date hereof, Element's holding of own shares corresponds to 1.13% of the outstanding shares in the Company.

This is the third instance where ABO/EHGO brings up this particular issue. Element reiterates that the Company continues to fail to understand where ABO/EHGO is getting this information from and on what basis ABO is making the implied conclusions.

As a general note, we would like to point out that under the Norwegian Public Limited Liability Companies Act, the maximum number of shares that Element may held in treasury is 10% of the outstanding share capital.

Element ASA



Geir Johansen
CEO