

First Quarter Report 2018

Interim Consolidated Financial Statements

Highlights of the quarter and subsequent events

- The Group entered into an investment- and shareholders agreement for Ambershaw Metallics Inc (AMI), outlining the investment schedule and cooperation with Legacy Hill Resources (LHR) under which the Group will become owner of 51% of the shares of AMI. Following the agreement, the Group has increased its investment from 5% at 31 December 2017 to approximately 26% at 31 March 2018.
- During the first quarter, the Group has raised NOK 25 million under the convertible note facility with Blue Ocean Advisors. In addition, the group has secured a commitment from Blue Ocean to provide a new facility amounting to NOK 500 million, with an option to extend by another NOK 500 million. The new facility is subject to shareholder approval scheduled on 6 June 2018.
- The Group has signed an LOI for entering into a joint venture with Auplata SA to acquire 100% of the shares outstanding in Osead Maroc Mining SA (OMM), which owns approximately 37% of the voting share and share capital of the listed company Compagnie Minière de Toussit SA (CMT), the second largest mining company in Morocco.
- The Group has extended its cooperation agreement with Harmonychain, to work towards completion of one or several Initial Coin Offerings ('ICO') / Token Generating Events ('TGE') linked to the Group's portfolio of natural resources; Nickel, Iron and Steel.

Financial Results

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

(USD '000)	First quarter		Year end
	31.03.2018	31.03.2017	31.12.2017
Loss from continuing operations	-716	-622	-3,277
Loss from discontinued operations	-145	-192	-643
Loss for the period	-861	-814	-3,920

Based on the Group'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 first quarter of 2018 or 2017. Exploration expenses were limited to license fees.

Net loss from continued operations before and after-tax amount to USD 716 thousand for the quarter (loss of USD 622 thousand).

At 31 March 2018, cash and cash equivalents amount to USD 3,895 thousand (USD 2,619 thousand). Given the Group's current investment plans, this is not sufficient to finance the Group's cash requirements for the 12-month period following 31 March 2018. The Group has secured financing amounting to NOK 500

million through a convertible note facility, which would be sufficient to secure the Groups cash requirements for the 12-month period following 31 March 2018. The convertible note facility is subject to shareholder approval.

Book equity as at 31 March 2018 was USD 8,322 thousand or USD 0.12 per outstanding share (USD 6,440 thousand or USD 0.10 per share).

Review of project portfolio

The Group's strategy 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 Group's special focus is linked to projects within new, and preferably ground-breaking technology, within its niches. In line with this strategy, the Group has obtained a major stake in AMI throughout the first quarter of 2018. Further, the Group is investigating the possibility to fund future investments through the issuance of asset-linked tokens.

Historically, the Group has been closely linked to the Mindoro Nickel Project. Since 31 December 2015, the Group's primary focus has been to realize the Mindoro Nickel Project through a sale of the asset. As of 31 March 2018, this strategy remains unchanged.

ASSET-LINKED TOKEN PROJECT

On 27 October 2017, the Group announced that it had entered into a Terms of 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 the Group has ownership interests. For the Group 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 (or other purposes). On the further terms to be defined in the Whitepaper, the Token holders can decide if and when they want physical delivery, even far into the future, giving an advantage to existing alternatives in terms of securing exposure to future delivery of the commodities.

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 the Group is contemplating to issue will be stabilized by the link to commodity pricing.

The IRON Tokens are planned to be issued by a new issuing subsidiary called Element IRON. The Group will be the manager of Element IRON. The IRON Tokens will be established as digital token on the Ethereum platform, eligible for use to acquire goods or services from market participants who wish to use the IRON Tokens as means of payment. Token holders owning a defined minimum quantity of IRON Tokens may request delivery of Iron-ore through an exchange of IRON Tokens for Iron-ore on the further conditions set in the Whitepaper, due to be published.

The Group is currently finalizing the details of the structure and the Whitepaper with its underlying documentation together with its advisors, considering all relevant regulatory issues to ensure that the structure of the IRON Tokens comply with all applicable laws and regulations. The exact timing cannot be exactly predicted, but the Group is focusing on quick resolutions to the remaining points.

Pending outstanding clarifications, the Group has established a landing page for the planned ICO of the IRON Token on www.iron-ico.com, allowing interested parties to register their interest. Interested parties can sign up to receive updated information on the IRON ICO as the project progresses. Relevant releases, including video links from various media, will also be shared on the landing page.

On 25 May 2018, the Group signed an extension to the cooperation agreement with Harmonychain AS, extending the agreement until 30 June 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) while the Group retains a significant interest in the company. As of the date of this report, the Group holds approximately 26% of the shares in Ambershaw, with an option to acquire up to 51%. 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.

DR is used by Electric Arc 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.

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.

On 23 May 2017, the Group acquired 5% of the shares outstanding in AMI through a share swap agreement with LHR issuing 2,130,266 Element shares as settlement. The Group also provided a convertible loan to AMI in the amount of USD 1,100,000 as of 31 December 2017.

In February 2018 the Group entered into an Investment- and Shareholders Agreement ("SHA") with LHR and AMI setting out the details of the Group's right to become the owner of 51% of the shares in AMI on a fully diluted basis. Following the agreement, the Group invested USD 1,850 thousand in capital increases in AMI, and converted all convertible notes outstanding. As of 31 March 2018, the Group holds a shareholding in AMI of approximately 26%.

In addition, the Group is planning to invest USD 4,850 thousand by 15 June 2018 (USD 4,950 if settled by 15 July 2018), into a new convertible bond to be issued by AMI.

The new convertible bond will have a first fixed and floating charge over the business and assets of AMI and will have a coupon of 7%. The maturity date will be 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 by the Group in AMI will in aggregate amount to 7.8 MUSD.

If the new convertible loan is converted by the Group, the Group 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, should the Group require to do so, in order to reach 51% ownership on a fully diluted basis in AMI. The price payable for such AMI shares is set to the same price as in the previous investments and the Element shares will be calculated on the basis of a 60 day Volume Weighted Average Price following Element exercising the option.

The payments under the convertible bonds are aligned with the equity needs of AMI towards production of Super Premium DR grade pellets. Remaining funding needs in AMI are intended as debt funding. As the major shareholders in AMI, the Group and LHR have agreed on a strategic plan for AMI, as well as annual business plans and budgets. The Group and LHR have agreed to terms in the SHA making the parties equal partners in the project through provisions giving veto rights effective from signing of the SHA covering all major decisions, thereunder equity- and debt funding of AMI, strategic plans and budgets, dividends and distributions amongst other.

The Group and LHR have also agreed to pursue a public initial offering ('IPO') of AMI no later than 31 December 2020, which is also the latest maturity date for the new convertible bond.

The Group will initially be entitled to appoint one board member or observer to the AMI board. When the Group becomes the owner of 51% or more of the shares in AMI, both the Group and LHR are entitled to appoint three board members each to AMI. The SHA will inter alia terminate upon an IPO of AMI or on 31 December 2020, whatever is the earlier. It has also been agreed that LHR shall be the manager of AMI during the life of the SHA.

MINDORO NICKEL PROJECT - THE PHILIPPINES

Mindoro Nickel is a nickel-laterite deposit, which originally was discovered by the Group in 1996. It is one of the largest undeveloped nickel deposits in the world, with more than 344 million tons mineral resources defined, holding 3 million tons nickel. A Definitive Feasibility Study concluded that Mindoro Nickel could be a substantial low-cost producer of nickel for more than 100 years.

During 2017 Sunbright Consulting has performed several laboratory tests with a new CRSM technology, which is a low energy consumption, low opex and capex technology, which indicate that it is capable of upgrading the existing grade of the Mindoro ore into concentrate. Upgrading tests of the limonite and

saprolite ore showed significant upgrades to the Nickel grade. The technology can be implemented on a modular basis, and the laboratory reports indicate that the Mindoro Nickel deposit may produce 600,000 ton of nickel concentrate per module with a capex of USD 26-35 million. The results show profitability with a nickel price at 6,300 USD/per ton and an EBITDA (before royalties) of USD 28-32 million p.a. with the current market prices between 14,000 and 15,000 USD/per ton and mining only 0.5% of the total recorded resources p.a. Pending pilot testing and subsequent full-scale testing of the CRSM technology the Group expect that the annual production can be increased by investing in several modules.

Throughout the year ended on 31 December 2017, the Nickel spot price increased from 10,000 USD per ton to USD 13,900 per ton, an increase of approximately 39%. The Nickel stock piles have been further decreasing in the months following 31 December 2017, and Nickel has traded above 15,000 USD per ton in April of 2018. The previous peak in nickel prices was USD 51,600 per ton in 2007.

The Group is working on increasing the potential of its Mindoro Nickel asset through realization or otherwise. The Group is in dialogue with various parties showing interest in Mindoro Nickel and continues to have an open approach to divestment of the asset, through sale or other forms of partnerships.

NORDLI MOLYBDENUM - NORWAY

The Nordli molybdenum project is a porphyry-style molybdenum deposit which is considered the largest undeveloped molybdenum deposit in mainland Europe known today, having inferred resources of over 200 million tonnes at 0.13 per cent MoS₂. The Group maintains its licenses for exploration but due to market pricing of molybdenum there is no ongoing activity in the project.

Outlook

The Group continues to focus on its strategy to acquire new attractive projects to its portfolio of investments in natural resources. The final payment to AMI is due in Q2 2018 and the Group has entered into an LOI for the purpose of acquiring a stake in the Moroccan mining company CMT through the acquisition of 50% of the shares in OMM. The Group has proposed to the shareholders to approve a MNOK 500 convertible loan facility with warrants attached with Alpha Blue Ocean to secure payment of these projects at the upcoming EGM on 6 June 2018.

The Group continues its cooperation with Legacy Hill and AMI for the development of the Bending Lake Iron-ore resource. AMI's current main focus is the environmental permitting process. The Group has commenced a new cooperation with Auplata for the purpose of acquiring the stake in CMT, pending due diligence and final agreements.

Another key focus of the Group is to progress with issuing its asset-linked Tokens. The Group is currently working on the structuring of the Token issue and the Whitepaper in cooperation with its advisors. The Group has extended its cooperation with Harmonychain and is progressing as fast as possible.

Interim consolidated statement of profit and loss and other comprehensive income

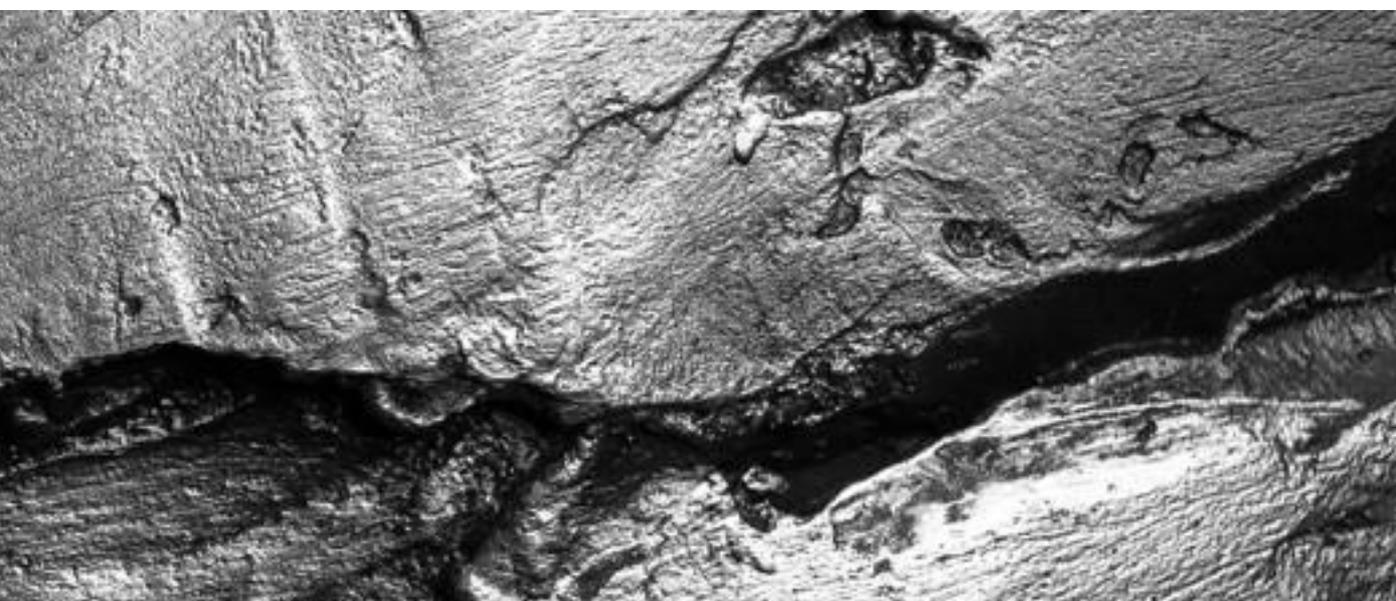
(USD '000)	Note	First quarter		Year end
		31.03.2018	31.03.2017	31.12.2017
Other Revenue		-	-	-
Net income/loss from equity accounted investments	3	-36	-1	-10
Exploration and evaluation costs		-4	-91	-3
Salary and social security cost		-154	-	-482
Other Operating expenses		-505	-267	-1,520
Operating loss		-699	-359	-2,014
Financial income	4	17	-	53
Financial costs	4	-35	-263	-1,315
Net financial items		-17	-263	-1,262
		-	-	-
Loss before tax		-716	-622	-3,277
Income Taxes		-	-	-
Loss after tax		-716	-622	-3,277
Loss discontinued operations, after tax	7	-145	-192	-643
Loss for the period		-861	-814	-3,920
Basic and diluted earnings per share		-0.01	-0.02	-0.09
Basic and diluted earnings per share - continued operations		-0.01	-0.01	-0.05
Basic and diluted earnings per share - discontinued operations		-0.00	-	-0.03
Other comprehensive income:				
Items that will be reclassified to income statement				
Currency translation adjustments		-102	52	21
Other comprehensive income		-102	52	21
Total comprehensive income		-963	-762	-3,899
Total comprehensive income attributable to Element shareholders		-963	-762	-3,899

Interim consolidated statement of financial position

<i>(USD '000)</i>	<i>Note</i>	First Quarter 31.03.2018	Year End 31.12.2017
ASSETS			
Property, plant and equipment		2	3
Equity accounted investments	3	3,415	428
Total non-current assets		3,520	432
Financial investments		-	1,153
Other receivables	4	97	74
Cash and cash equivalents	5	3,895	2,619
Total current assets		3,889	3,845
Assets classified as held for sale	7	5,636	5,837
Assets classified as held for sale		5,636	5,837
TOTAL ASSETS		13,045	10,114
EQUITY			
Share capital		670	643
Other paid-in-capital		79,814	79,000
Cumulative translation adjustments		10,408	10,510
Other equity		-82,570	-83,713
Total equity		8,322	6,440
LIABILITIES			
Other long term liabilities		-	-
Total long term liabilities		-	-
Trade payables		215	247
Derivatives	4	407	721
Convertible notes	4	1,549	-
Other current liabilities		505	502
Total current liabilities		2,676	1,470
Liabilities associated with assets classified as held for sale	6	2,047	2,204
Liabilities associated with assets classified as held for sale		2,047	2,204
TOTAL EQUITY AND LIABILITIES		13,045	10,114

Interim consolidated statement of cash flow

(USD '000)	First quarter		Year end
	31.03.2018	31.03.2017	30.12.2018
Profit/-loss for the year, continued operations	-716	-622	-3,277
Profit/-loss for the year, discontinued operations	-145	-192	-643
Operating activities			
Depreciation	2	-2	6
Non-cash expenses related to options and w arrants	2,004	265	369
Change in trade and other receivables	-23	-28	-47
Change in trade payables and other current liabilities	1,206	-81	1,243
Changes in other long term liabilities	-	-1	-317
Change in assets held for sale	77	-46	-70
Cash flow from operating activities	2,405	-707	-2,735
Investment activities			
Net expenditure on property, plant and equipment	-	3	-
Equity accounted investments	-2,987	-	-438
Investment in other financial assets	1,153	-600	-961
Cash flow from investment activities	-1,834	-597	-1,400
Financing activities			
Capital increase	841	1,263	6,009
Cash flow from financing activities	841	1,263	6,009
Net change in cash and cash equivalents	1,412	-40	1,874
Cash and cash equivalents at the start of the period	2,708	834	834
Sum translation effects	-102	57	-
Cash and cash equivalents at the end of the period for cont. and disc. Operations	4,018	851	2,708



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 adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2017		339	69,599	14,015	-13,243	-66,757	3,953
Loss for the period		-	-	-	-3,920	-	-3,920
Other comprehensive income		20	3,676	-3,505	-	-170	21
Total comprehensive income		20	3,676	-3,505	-3,920	-170	-3,899
Capital increase		284	5,725	-	-	-	6,009
Share options cost		-	-	-	145	-	145
Converted warrants		-	-	-	232	-	232
Total transactions with owners		284	5,725	-	377	-	6,386
Equity 31 December 2017		643	79,000	10,510	-16,786	-66,927	6,440
<i>(USD 1 000)</i>		<i>Share capital</i>	<i>Other paid-in capital</i>	<i>Cumulative translation adjustments</i>	<i>Other equity</i>	<i>Held for sale</i>	<i>Total</i>
Equity 1 January 2018		643	79,000	10,510	-16,786	-66,927	6,440
Loss for the period		-	-	-	-716	-145	-861
Other comprehensive income		-	-	-102	-	-	-102
Total comprehensive income		-	-	-102	-716	-145	-963
Capital increase		27	814	-	-	-	841
Share options cost		-	-	-	1,178	-	1,178
Converted warrants		-	-	-	826	-	826
Total transactions with owners		27	814	-	2,004	-	2,845
Equity 31 March 2018		670	79,814	10,408	-15,498	-67,072	8,322



Notes to the interim consolidated financial statements

- 1 Information about the Group
- 2 Basis for preparation and changes to the Group's accounting policies
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- 4 Financial assets and liabilities
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- 6 Related party disclosures
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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 31 March 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.

At 31 March 2018, cash and cash equivalents amount to USD 3,895 thousand (USD 2,619 thousand). Given the Group's current investment plans, this is not sufficient to finance the Group's cash requirements for the 12-month period following 31 March 2018. The Group has secured financing amounting to NOK 500 million through a convertible note facility, which would be sufficient to secure the Groups future cash requirements. The convertible note facility is subject to shareholder approval.

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

	First quarter	Year end
(USD '000)	31.03.2018	31.12.2017
Opening balance	428	-
Net income/(loss) from equity accounted investments	-36	-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	-	-
Ending balance	3,415	428

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. The Group retains an option to obtain 51% of AMI through a combination of equity investment and a final share swap.

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

	First quarter	Year end
USD ('000)	31.03.2018	31.12.2017
Other receivables	97	74
Convertible loan notes	-	1,153
Cash and cash equivalents	3,895	2,619
Total financial assets	3,992	3,846
Convertible notes	-1,549	-
Derivatives	-407	-721
Total financial liabilities	-1,956	-721

In the first quarter 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. As of 31 March 2018, the Group recorded the fair value of the convertible notes, and the conversion option at USD 1,549 thousand and USD 407 thousand, respectively.

On 31 March 2018, the Group converted its convertible notes in Ambershaw Metallics Inc into shares in the company.

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)	First quarter		Year end	
	Carrying amount	Fair value	Carrying amount	Fair value
Other receivables	97	97	74	74
Convertible loan notes	-	-	1,153	1,153
Cash and cash equivalents	3,895	3,895	2,619	2,619
Total financial assets	3,992	3,992	3,846	3,846
Convertible notes	-1,549	-1,549	-	-
Derivatives	-407	-407	-721	-721
Total financial liabilities	-1,956	-1,956	-721	-721

FAIR VALUE HIERARCHY

Fair value measurement hierarchy for assets and liabilities as of 31 March 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	31.03.2018	-	-	-
Liabilities measured at fair value				
Convertible notes	31.03.2018	-	-1,549	-
Derivatives	31.03.2018	-	-407	-

There were no transfers between level 1 and level 2 in the first quarter of 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

USD ('000)	Year end	Change in fair value	First quarter
	31.12.2017		31.03.2018
Convertible notes	-	-1,549	-1,549
Derivatives	-721	314	-407
Total Liabilities arising from financing activities	-721	-1,235	-1,956

5 Cash and cash equivalents

	First quarter	Year end
(USD '000)	31.07.2018	31.12.2017
Cash and bank deposits	3,879	2,594
Restricted bank deposits	16	25
Total cash and cash equivalents in the statement of financial position	3,895	2,619
Cash and cash equivalents related to discontinued operations	124	89
Cash and cash equivalents in the statements of cash flow	4,018	2,708

6 Related party disclosures

As of 31 March 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	25,000	182,578	180,000
Frode Aschim	Member of the board	65,562	182,578	-
Mona Lynne Eitzen	Member of the board	-	182,578	-
Cecilie Grue	CEO	119,000	600,000	-
Kim Andre Evensen	VP Finance and Accounting	-	400,000	-
Total		209,562	1,547,734	180,000

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

SERVICE AGREEMENT WITH GLOBAL VISION TRADING LIMITED

On 31 December 2017, 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 2018, and the monthly fee amounts to NOK 70,000 per month.

SERVICE AGREEMENT WITH ETHER CAPITAL LTD

On 31 December 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 2018, and the monthly fee amounts to NOK 75,000 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 will be classified as Discontinued operation.

STATEMENT OF PROFIT AND LOSS FOR DISCONTINUED OPERATION:

(USD '000)	First quarter		Year end
	31.03.2018	31.03.2017	31.12.2017
Other Revenue	-	-	-
Exploration and evaluation costs	-18	-64	-246
Salary and social security cost	-80	-83	-329
Other Operating expenses	-48	-45	-240
Operating loss	-147	-192	-815
Financial income	2	-	-
Financial costs	-	-	-
Net financial items	2	-	-
Loss before tax	-145	-192	-815
Deferred tax expense	-	-	171
Loss after tax	-145	-192	-643
Loss for the period	-145	-192	-643

ASSETS AND LIABILITY RELATED TO DISCONTINUED OPERATION:

(USD '000)	First quarter	Year end
	31.03.2018	31.12.2017
ASSETS		
Exploration and evaluation assets	5,371	5,610
Property, plant and equipment	4	2
Total non-current assets	5,375	5,613
Other receivables	34	27
Other financial assets	103	108
Cash and cash equivalents	124	89
Total current assets	261	224
TOTAL ASSETS	5,636	5,837
LIABILITIES		
Deferred tax	0	47
Other long term liabilities	0	0
Total long term liabilities	0	47
Trade payables	130	230
Other current liabilities	1,916	1,927
Total current liabilities	2,047	2,157
TOTAL LIABILITIES	2,047	2,204

8 Events after the reporting period

CONVERTIBLE NOTE FACILITY

On 6 May 2018, the Group entered into an LOI which, pending final agreement, will secure commitment over four years for an interest free MNOK 500 convertible note facility (the "Convertible Note Facility") from Alpha Blue Ocean Inc ("Alpha Blue Ocean") on certain conditions subject to shareholders approval. The Convertible Note Facility is renewable for an additional MNOK 500 at the Group's discretion, following full utilization of the facility and renewed shareholders' approval of the Group.

Under the Convertible Note Facility, the Group may draw ten (10) tranches (each a "Tranche") of MNOK 50 in convertible bonds over a period of four years. The Tranches may be drawn following a "cool down period" of maximum 30 business days following issuance of any single Tranche. Each Tranche entitles Alpha Blue Ocean to warrants, as set out below. the Group has committed to draw two (2) Tranches.

The first Tranche shall be drawn at the time of the EGM approving the Convertible Note Facility and the second within 30 days thereafter. Alpha Blue Ocean has the right to request the issuance of a maximum of 1 tranche during the life of the financing program. If the Group chooses to draw the third Tranche, Alpha Blue Ocean has no right to request the issuance of further Tranches. The remaining Tranches may only be drawn at the Group's discretion following a cool-down period as defined in the agreement.

The conversion price of the Convertible Bonds shall equal 100% of the lowest daily VWAP of the ten (10) trading days preceding the notice of conversion from Alpha Blue Ocean. The convertible bonds are convertible at the option of Alpha Blue Ocean but will automatically convert twelve (12) months after the issue date.

Alpha Blue Ocean will have 12 months to convert each Tranche in full. Each Tranche may be converted in one or several partial conversions, during the 12-month period. The Investor cannot request a cash redemption for the convertible bonds (except in a case of an event of default). No specifically restrictive covenants nor condition precedent are attached to the instruments.

Alpha Blue Ocean is entitled to a cash fee equaling 5% of the total commitment of MNOK 500. The fee is payable on a pro rata basis in connection with the first three Tranches of the Convertible Note Facility, but shall in any event be paid within 6 months.

The warrant coverage is 30% based on the total committed facility of MNOK 500, compared to 50% in the first facility provided by Alpha Blue Ocean.

The Company shall issue Warrants 1 ("Warrants 1") in respect of each Tranche giving Alpha Blue Ocean the right to a number of shares equal to 20% of the amount drawn in the Tranche in question divided on the exercise price for the Warrants 1. The exercise price for the Warrants 1 shall equal 120% of the lowest daily VWAP during the ten (10) trading days preceding the notice of drawdown of the Tranche in question by the Company.

The Company shall also issue Warrants 2 ("Warrants 2") in respect of the total commitment under the Convertible Note Facility giving Alpha Blue Ocean the right to a number of shares equal to 10% of the par value of the total commitment divided on the exercise price for the Warrants 2. The exercise price for the Warrants 2 shall equal 120% of the lowest of (i) the lowest daily VWAP of the ten (10) trading days immediately preceding the signing of the LOI; (ii) the lowest daily VWAP of the ten (10) trading days immediately preceding the approval of the relevant resolutions by the general meeting of shareholders of the Company with respect to the transaction; and (iii) the lowest daily VWAP of the ten (10) trading days immediately preceding the request to issue the first tranche. Unless alternatives (ii) or (iii) provides a lower exercise price, the exercise price based on the 10 days prior to entering into the LOI will be NOK 5.37 and Alpha Blue Ocean will receive 9,310,986 Warrants 2 for shares at the exercise price immediately following the EGM. Should alternative (ii) or (iii) give a lower exercise price, the number of Warrants 2 will be adjusted accordingly.

The exercise period for the Warrants is four (4) years from the date of the EGM resolution regardless of when the Warrants are issued. Both Warrants 1 and Warrants 2 may be admitted to trading on the Oslo Stock Exchange.

The Group may at its discretion, subject to renewed shareholder approval at such time, choose to renew the Facility for an additional MNOK 500 within the four-year term of the Convertible Note Facility.

LETTER OF INTENT TO INVEST IN COMPAGNIE MINIÈRE DE TOUSSIT

On 6 May 2018, the Group signed a letter of intent ("LOI") with the French listed gold producer Auplata SA (Auplata) to enter into a joint venture agreement ("JV") to acquire 100% of all the outstanding shares in Osead Maroc Mining SA ("OMM") which owns approximately 37% of the voting shares and share capital of the listed company Compagnie Minière de Toussit SA ("CMT") on a fully diluted basis.

Auplata is currently the owner of 4.82% of the voting shares and share capital of OMM on a fully diluted basis. Auplata entered into an agreement with Osead SA (the "Seller") on 14 September 2017, under which the Seller agreed to grant Auplata an option to acquire 95% voting shares and share capital on a fully diluted basis of OMM at a price of EUR 78,900,000 ("Auplata Option"). The total acquisition price of Auplata for the stake in OMM, if the Auplata Option is fully exercised, will be EUR 82,900,000. The Auplata Option is triggered once Auplata acquires 5% of OMM, which Auplata will do immediately after entering into a binding agreement with the Group. The Seller has approved the LOI.

In accordance with the LOI Auplata will grant to the Group, on a free of charge basis, an option to acquire 50% of the voting shares and share capital of OMM on a fully diluted basis at a fixed price of EUR 41,450,000 ("Option"). The net CMT Debt including interest and due and incurred but unpaid taxes shall be reduced to MAD 198,000,000 of 31 December 2018 (the "Reduced CMT Debt"). The Option must be exercised by the Group after entering into a binding agreement and by 31 December 2018 (the "Option Period"). The Option Period may be extended by 6 months by the Group at the Group's discretion. If the Option is fully exercised by the Group by 31 December 2018 the Group shall be entitled to receive 50% of the dividends payable to OMM for the financial year. The Option may, at the Group's discretion, be exercised in one or several tranches of no less than EUR 5,000,000 each tranche. The Group shall in the binding agreement be subject to an obligation to exercise the Option by a minimum of EUR 15,000,000, subject to financing. The remaining voting shares and share capital of OMM, up to the % held by the Group, shall be acquired by Auplata. If the Group exercises the Option, Auplata shall undertake to exercise the Auplata Option to such extent that both Parties have the same ownership in OMM and the intention is that both Parties shall hold 50% of the shares and votes of OMM. Further details shall be included in the Binding Agreement.

The Parties shall negotiate with a view to entering into a binding agreement regarding the transaction as soon as possible and no later than 20 June 2018 (the "Negotiation Period"). The LOI is not binding and is subject to the Group completing satisfactory legal, financial and operational due diligence review of OMM and CMT, binding transaction agreement, joint venture agreement, debt agreements and and required corporate approvals. Completion of the transaction is conditional on the agreement by the Seller to transfer the Auplata Option to the Group and to amend existing agreements. The Seller has approved the LOI. Auplata will in the period until 20 June 2018 allow the Group and its advisers full access to all books and records of OMM and assist in the review of CMT and all other information which is of relevance to the transactions.

EXTENSION OF THE COOPERATION AGREEMENT WITH HARMONYCHAIN AS

On 5 May 2018, the group signed an extension to the cooperation agreement between the Group and Harmonychain AS to work towards completion of one or several Initial Coin Offerings ("ICO") / Token Generating Events ("TGE") linked to Element's portfolio of natural resources.

