

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

TMC.OQ - Q2 2023 TMC the metals company Inc Earnings Call

EVENT DATE/TIME: AUGUST 14, 2023 / 8:30PM GMT

## CORPORATE PARTICIPANTS

**Craig Shesky** *TMC the metals company Inc. - CFO*

**Gerard Barron** *TMC the metals company Inc. - CEO & Chairman of the Board*

## CONFERENCE CALL PARTICIPANTS

**Dmitry Silversteyn** *Water Tower Research LLC - Senior Analyst*

**Frank Jones** *Norbury Partners - Analyst*

**Malcolm MacDonald** *Bank of America - Analyst*

## PRESENTATION

### Operator

Good day, and welcome to The Metals Company Second Quarter 2023 Corporate Update Conference Call. (Operator Instructions) As a reminder, this call is being recorded.

I would now like to turn the call over to Craig Shesky, CFO. You may begin.

---

### **Craig Shesky** - *TMC the metals company Inc. - CFO*

Thanks, Michelle. Please note that during this call, certain statements made by the company are going to be forward-looking and based on management's beliefs and assumptions from information available at this time. These statements are subject to known and unknown risks and uncertainties, many of which may be under our control, including those such forth in our safe harbor provision for forward-looking statements that can be found at the end of our second quarter 2023 corporate update press release. Such statements may also be found in our annual report on Form 10-K for the year end December 31, 2022, and other reports subsequently filed with the SEC including our 10-Q for the quarter ended June 30, 2023, and all that provide further detail about the risks related to our business.

Additionally, please note that the company's actual results may differ materially from those anticipated, and except as otherwise required by law, we undertake no obligation to update any forward-looking statement. And our remarks today may also include non-GAAP financial measures, including with respect to free cash flows, additional details regarding these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, which can be found in our slide deck used with this call. And of course, you're welcome to follow along with that slide deck or if joining us by phone, you can access it at any time at [investors.metals.co](https://investors.metals.co).

Now first of all, I'd like to say thanks to everyone for joining on this quarterly update conference call. And given all the news flow and progress in the last few weeks, June 30 does feel like ages ago when we ended the quarter. So before getting into the presentation and turning it over to Gerard, who of course has been on the road nonstop all summer building support for TMC, we'd just like to remind you of some of what's happened in July alone in this industry.

First of all, there were multiple articles from the Economist Magazine in early July, which concluded that the time is now for the responsible collection of seafloor nodules. And this assertion was followed by an interview in the Guardian showing strong support for seafloor mining from director and deep sea explorer, James Cameron, who's personally completed 75 deep dives and have seen more of abyssal seafloor than pretty much anyone else on the planet.

Importantly, in the U.S., there's the passage of the House version of the National Defense Authorization Act in mid-July, which prioritizes the delivery of the plan on nodular processing and refining from the Pentagon, followed up with a letter from 9 Congresspeople to the President and the Secretary of Defense, employing the White House to focus on nodules as a matter of national security.

Finally, we saw the conclusion of the July ISA session in which compromise was reached between member states to continue work on the funnel rules, regulations and procedures, also known as the Mining Code over the next 3 sessions in November 2023, March 2024 and July 2024, after which point TMC subsidiary NORI, intends to submit an application to the ISA for an exploitation contract for NORI area D. And very importantly, the ISA reiterated their obligation to consider a plan of work when we're ready to lodge it, in consultation with our sponsoring state, and NORI does reserve their legal right to submit an application before final regulations are in place.

Now focusing very quickly on the ISA picture. Of course, we would have liked to see the ISA fulfill their legal obligation to deliver the mining code in 2023 as they previously targeted.

But we believe that the hard one compromise reached in July has increased our regulatory certainty. And as we've always said, we will not submit an application for an exploitation contract over the NORI Area D until we finish a world-class environmental and social impact assessment, including an environmental impact statement as a key component of our application.

So considering the initial results that are starting to roll in, particularly on biodiversity and plume impacts, we are confident that NORI's application will show the ISA's Legal and Technical Commission, the ISA Council, and stakeholders around the world that nodule collection can be done responsibly and at a scale that moves the needle in the quest for new sources of these metals, which are needed, of course, for the clean energy transition.

So on to the agenda. Today, we'll take you through the following items. Summary of the recent corporate news, including the capital raise of \$2 per share, a brief market update, a reminder of TMC's value proposition, further detail on the regulatory front, review of the environmental case for Polymetallic Nodules based on some of the information that's been coming through. And finally, our financial update.

So following a very eventful July, TMC released a corporate update on August 1st, laying out the estimated project time line to production, cash needs and developments related to the Project Zero Offshore System. As shown on the slides here, TMC subsidiary NORI intends to submit an application to the ISA for an exploitation contract over NORI Area D following their July 2024 meeting. And assuming a 1-year review process and approval, NORI would expect to be in production in the fourth quarter of 2025.

So as the ISA is continuing the regulatory work, NORI will continue its scientific work. And based on the feedback received from the ISA's Legal and Technical Commission, we're now going to accelerate the timing of the new post-collection test campaign this year, focused on environmental regeneration of last year's collection test area, during which 3,000 tons of nodules were successfully lifted to the surface. We believe this environmental campaign will ultimately strengthen the quality of our application. And our partner at Allseas will also use the time well with NORI and Allseas now planning for increased production capacity for the Project Zero Offshore System using the Hidden Gem vessel and adding a second collector vehicle from an estimated 1.3 million wet tonnes per annum to a new estimated 3.0 million wet tonnes per annum, a potential increase of 130%.

Of course, to deliver a high-quality application for an exploitation contract, we told the market on August 1st that we would need an incremental \$60 million to \$70 million of cash on top of our existing cash balance, but not yet including any drawdown on the existing \$25 million Allseas unsecured credit facility that was extended through November of 2024.

So the next slide walks through some of the liquidity and capital resources we have at our disposal. And we have been very clear that we prefer to raise the majority of funds needed to reach first production at the asset level, potentially through earn ins or stake sales, offtakes or royalties.

However, these asset level discussions do take time and as those discussions continue, we do need to keep the pace up of the milestones that are being delivered, including the recently announced acceleration on that post collection test environmental campaign. So we made the decision to raise some funds at the TMC level to keep the development of this world-class asset on track.

And this morning, we're happy to announce a capital raise of approximately \$27 million in gross proceeds at \$2 per share, alongside a half warrant with an exercise price of \$3 per share and forced exercise, also known as a call provision if our share price trades above \$6.50 for at least a 30-day volume weighted average period. And there's also the potential for raising up to an incremental \$11 million by mid-September at the same terms.

And this right was granted to the investment advisory clients of certain participants in this transaction, with the extra time to allow for some additional compliance documentation.

In the current market, the vast majority of follow-on offerings are issued at discounts to the current share price. So the execution of this transaction and an 82% premium to Friday's close, is a major show of force by both our existing and new investors.

So again, we'd like to thank everybody who participated. I know Gerard would like to thank some of them as well. Gerard and I both participated in the offering as did several directors, our partner Allseas and one of our single largest shareholder, Andrei Karkar.

And with that, I will turn it over to Gerard to walk you through the rest of the presentation. Gerard, please go ahead.

Michelle, have we lost Gerard? If so, as we're trying to get them back on, I'd be happy to continue with the presentation.

---

### Operator

Gerard, you may be muted.

---

### Craig Shesky - TMC the metals company Inc. - CFO

Gerard, I'll go through some of the slides here and if your connection is better, feel free to interject. I know it must be hard while doing this on the road. But on to the market update. So we try to do our best to avoid all the media noise around TMC. But we did feel a shift in media coverage during the last quarter. The Economist took what we think is a brave and considered position on the topic. With a series of articles in support of nodule collection as well as an analysis of the inevitable social and environmental damages of alternatives like Indonesian rainforest nickel. No less striking with the news that Film Director and prolific deep Ocean Explorer, James Cameron, spoke out in favor of mining seafloor in the Guardian, as a means of taking pressure off of terrestrial ecosystems and human communities.

And to quote that article directly, he said, "I've seen an awful lot of seafloor, and while there are some amazing creatures, they tend to be clustered in small habitats. What you mostly have is miles and miles and miles of nothing but clay. But mining in highly sensitive and highly diverse habitat is a very, very different thing, from mining in the abyssal seafloor. The impact on actual human beings on actual indigenous cultures that are being destroyed, the tribal lands being destroyed, the habitat that they require to survive being destroyed, that's pretty horrific."

And we agree, and we expect that more thought leaders will continue to come out of the shadows and present nuanced science-driven views on this topic rather than activist narratives. Interest in our industry from countries and companies continues to grow.

Last quarter, we discussed a handful of these developments, including news that Norway was preparing to open its EEZ to mineral exploration and that offshore leader Transocean would be providing a Samsung 10,000 drillship for conversion into a nodule production vessel. Ahead of Belgian contractor GSR's integrated system test currently scheduled for 2025.

There have also been many headlines around China's decision to step up deep sea natural exploration and their increased involvement in ISA activities. And this has mobilized action elsewhere around the world, including Washington, D.C. Congressional leaders have actively been engaging the Biden administration and Defense Department on the topic of seafloor resources, urging them to ensure nodules are assessed as a viable resource to secure critical minerals, close supply chain vulnerabilities and counter increasing Chinese investments in the space.

Last month, we were delighted at the Department of Energy's inclusion of Polymetallic Nodules as a means of increasing basic supply availability of critical minerals in its Critical Material assessment. And as the U.S. looks to its allies for support in this endeavor, the U.S. Japan critical mineral trade deal that was signed in March, it dovetails perfectly with our own intention to process modules initially with PAMCO in Japan, and that paves the way for downstream consumers to retain the EV credits from Japanese supply. And I believe that Gerard has joined us again. So Gerard, I might turn it back over to you if we can hear you going to the value proposition side.

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Yes. Can you hear me now?

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes, we can.

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Great. Apologies for that. So on to our value proposition, these slides should be familiar by now. So I'll go over them quickly as a reminder on our resource size and resource grade. Our NORI and TOML areas contain in situ quantities of nickel, copper, cobalt and manganese equivalent to the requirements of about 280 million vehicles or roughly the entire U.S. passenger fleet. In March, mining.com released their updated 2023 rankings of the world's largest undeveloped nickel projects and the top 2 remain the same again this year. TMC's NORI at #1 and TMC's TOML at #2.

And axiom within the real source sector is that a resource needs to be either very large or high grade to be successfully developed and profitable across commodity cycles. And TMC is an outlier among peers with the largest nickel equivalent resource and the highest grade with the NORI D nodules having a nickel equivalent grade of 3.2%, with 4 key metals in the same resource. It's likely that it would have been tapped ages ago if the resources occurred on lands where grades for metals like nickel and copper have been going down decades. And of course, several consortia attempted to develop this resource in the 1970s, including BP and Shell and Sumitomo and U.S. Steel, among others, successfully collecting thousands of tons of nodules and processing them. But there was not a regulatory environment to allow the exploration and then the exploitation of resources in international waters. And we now have the format, and we soon expect to have the latter.

I'd like to now play a short video summarizing the ISA structure and the application process. For those on the phone, the video is just under 3 minutes long.

(presentation)

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

So at the end of July, the ISA closed Part 2 of its 28th session. And while some were waiting with bated breath for a thumbs up or thumbs down moment, the reality is that this is an ongoing process and one that the ISA members are legally obligated to fulfill. As such, it's not a question of if this new industry begins, but when. We were pleased to see the high level of motivation and collaboration among ISA members and the significant progress made in Kingston, for which I would like to express my sincere thanks to all member states.

The fact is this is a massive body of work and given the nature of multilateral negotiations, it was clear the parties need more time to fulfill their legal obligation of delivery in the Mining Code. And after carefully listening during last month's ISA meetings, NORI now intends to submit an application following the July 2024 ISA session. This will give us more time to strengthen our environmental data set through an additional offshore campaign to measure ecosystem recovery, 1 year on from our 2022 integrated system test, while providing time for the 3 additional counsel sessions and intersessional work outlined under the ISA's agreed road map for adoption in 2025.

The latest ISA meeting as in prior sessions saw a clear majority of participating states expressing their continued support for negotiating robust regulations that ensure the protection of the marine environment in line with their legal obligations. 21 ISA member states, representing a minority of the 169 ISA numbers, under strong pressure from NGOs, have called for a precautionary pause a moratorium or in one case, a ban on deep sea mining.

However, the legal obligation on member states to deliver the mining code has not changed, and this obligation is reiterated in July following a compromise consensus decision reached. We believe the finish line is now with insight, and we look forward to the consolidated regulatory text at the next meeting in November this year. And while media reporting often only focusses on countries highlighted in yellow, sometimes ignoring entire continents, the UN convention of the layers and the 1994 implementation agreement are documents that are legally relied upon by developing member states, such as our sponsoring state, Nauru and Tonga, who through this system, have a means to participate in this new industry and help solve a climate change problem, which they did not create. And turning to our environmental program. We've engaged some of the world's leading marine research institutions and expert industry contractors.

In 2022 alone, we gathered over 200 terabytes of data largely as a result of our successful integrated system test and environmental monitoring campaign to provide verified infield data as to the environmental impacts of collecting nodules. The wealth -- this wealth of data can be added to the -- to that compiled from the 17 offshore resource definition and environmental baseline campaigns that NORI has conducted over the past decade. Data, which is now being published in peer-reviewed papers and made available via public databases.

In July, we announced that data submitted by NORI to the ISA's deep data platform had been published to the Ocean Biodiversity Information System, or OBIS platform, the world's largest scientific knowledge base on the diversity, distribution and abundance of all marine organisms.

And with data from just 2 of NORI's 17 campaigns now available on OBIS, NORI has become the single largest data provider to OBIS ISA node, providing 60% of total records. As one of the largest funders of scientific research in the deep ocean, we're delighted that our investment of time and money is paying off, and we look forward to sharing additional data from our campaigns as well as all remaining data concerning ocean geochemistry, bathymetry and pelagic biodiversity in the coming months.

So while we go through the labor-intensive process of analyzing this wealth of information, the benefits of making this open to society are clear. Since publication in July, NORI's total data set has been downloaded some 300 times and specific interrogation of taxa has seen NORI occurrences downloaded over 22 million times.

In addition to biodiversity, another key impact we consider is the impact of sediment plumes during and after-nodule collection. And while speculation continues to cloud water as to the environmental impacts of sediment plumes, multiple lines of evidence are now providing a much clearer picture as to how far these plumes are distributed.

Leading experts in the field of deep sea sediment plume dynamics including a team led by Professor Thomas Peacock at MIT and researchers at Scripps have found that 92% to 98% of sediment disturbed during offshore system trials conducted by fellow contractor GSR, remained within 2 meters of the sea floor, and as they noted in the conclusion to their study, it's quite a different picture of what these plumes look like compared to some of the conjecture.

And on our own ground in the NORI-D area, preliminary findings by leading experts at DHI support the findings (inaudible)of MIT. Our teams had over 50 monitoring stations to monitor every aspect of the plume and noise during NORI's collected trials last year. And using this data, DHI has built a model that brings some clarity to how plumes actually behave at these extreme depths. And I'd like to show you a short video clip of this plume.

So based on preliminary plume data collected during last year's test mining, this video highlights that a combination of flocculation, impeded water movement at the seafloor and the formation of a density current where the mixture of water and sediment spreads under its own weight, not through transport from background currents have a profound effect on plume dynamics.

The cloud represents the plume that was generated and the colors show the different densities with yellow representing the highest density of sediment particles and purple the lowest. And the purple and blue bands represent sediment concentrations of less than 20 mg a liter, which would not be visible to the naked eye.

And what's important to note here is that the disturbed settlement settles rapidly with early projections indicating that impacts from the plume will be highly localized around the mining footprint and are highly unlikely to extend beyond the boundaries of the contract area as previous speculation has predicted. Speculation, which, of course, was based on zero in-field observation.

The final results of NORI's plume study will be released in the coming weeks. But based on these preliminary findings, we are seeing a radically different picture to some of the colorful claims put out there by activists.

On this page, this is a still image from the blue peril film with speculative modeling of plume impacts in the TOML exploration contract area denoted in Red. It's meant to look as scary as possible. We're now getting infield observed data that shows a very different reality. Preliminary data collected on plume generation during our test mining indicate that the combination of flocculation impeded water flow movement at the benthic boundary layer and the formation of a density current at the seabed have a profound effect on plume dynamics resulting in rapid settling of distributed settlement.

An early projections indicate that impacts from the plume will be highly localized around the mining footprint and are not predicted to extend beyond boundaries of the lease. So this new information makes the plume models that have not been informed by actual data collected during test mining as simply uninformed highly speculative and gross exaggerations of the expected situation.

So we've taken you through how we think about measuring and mitigating the absolute impacts of Nodule collection. But it's also important to consider the relative impacts. For nickel, the country with the highest production also happens to be one with the highest species richness, Indonesia. In contrast, the Abyssal Desert is the planet's most common ecosystem covering over 50% of the earth's surface.

And while it does have some important biodiversity, the biomass, the amount of life on the seafloor at 4 to 6 kilometers depth, is a fraction of the amount of life, for example, where nickel laterites are found and even less than that found in our deserts on land. In the absence of sunlight, this is a region with zero flora and what fauna there is must contend with extreme pressures, low temperatures and poor availability of food at depths of over 4 kilometers.

But a lower quantity of biomass to be impacted is just the beginning of what sets nodules apart from conventional metal production on land. We recently released the results of a life cycle assessment conducted by Benchmark, which compared the NORI Area D project to key land-based production routes, representing upwards of 90% of the supply for nickel and cobalt and roughly 60% for copper. And for nickel, the NORI-D project outperformed all terrestrial routes in all impact categories assessed, including globing warming potential, water consumption and waste generation.

So we believe the potentially lower carbon equivalent emissions level of sourcing key materials from nodules will overly drive customers our way, particularly as we continue releasing data from the ESIA, which supports findings from Benchmark. And with the development of battery passports and other initiatives like carbon pricing, customers will need to compare the carbon footprint of a kilogram of nickel produced from TMC nodules with that same kilogram of nickel produced from mines on land. And thanks to science-based tools and studies such as that prepared by Benchmark, we believe the case for nodules is very strong.

I'd now like to turn it back to Craig to discuss the financials and valuation.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Thanks, Gerard. As shared in all of our previous update calls in March 2021, AMC Consultants issued an SEC REG S-K 1300-compliant initial assessment of the project economics from the NORI-D area. Gerard you may need to go on mute. I think there's a bit of an echo.

This initial assessment is available in the Investors section of our website. And the NORI Area D financial model can be found beginning on Page 310 of that document. And the initial assessment arrived at net present value of \$6.8 billion for NORI-D at the beginning of last year. When running the same model simply updated for current metal prices, the net present value of NORI-D would be approximately \$10 billion today.

And yet the market cap on Friday's close represented only 3% of that fundamental asset value. Again, on what is only 22% of our total estimated resource and this compares to a peer nickel developer average of 38% of that price the fundamental asset value. So coming through all the noise and all of the narratives, the resource is the resource.

And through TMC, an investor can get exposure to the largest and second largest nickel projects in the world at roughly a 90% discount from which you might pay on average for the same amount of this critical metal from land-based developers. So what might happen to begin to change this valuation gap. And this page lays out some of the critical milestones ahead that can lead to re-ratings in our public valuation.

The capital raise we announced today is certainly a sign that these new and existing investors who know TMC very well are encouraged increasingly convinced of the likelihood of these milestones being achieved, including reaching definitive commercial agreements with our offshore and onshore partners, continued progress from the ISA, which Gerard discussed at length. NORI, submitting an exploitation application for NORI Area D, following the July 2024 ISA session. The ISA eventually granting NORI an exploitation contract and then the beginning of commercial production shortly thereafter.

On to our financial results for the third -- excuse me, the second quarter. TMC reported a net loss of approximately \$14.1 million or \$0.05 a share in the second quarter of 2023 compared to a net loss of \$12.4 million or \$0.05 a share for the quarter ended June 30, 2022. The exploration and evaluation expenses during the quarter ended June 30, 2023, were \$8.1 million compared to \$10.2 million for the quarter ended June 30, 2022.

The decrease was primarily due to a reduction in share-based compensation, a decrease in spend on the PMTS and environmental studies as the collector test was completed in November 2022, and reduced exploration activities in 2023. This is partially offset by an increase in the 2023 period on pre-feasibility studies and mining, technological and process development due to engineering work, which commenced in the fourth quarter of 2022.

G&A expenses were \$5.1 million for the quarter ended June 30, 2023, compared to \$8.1 million for the quarter ended June 30, 2022. The lower spending in the second quarter of 2023 reflected lower share-based comp and a decrease in insurance costs incurred during the second quarter of 2023. This decrease was partially offset by an increase in personnel, travel and other expenses.

Second quarter 2023 results include a loss of \$0.8 million for the change in fair value of warrant liability compared to a gain of \$5.7 million in the comparative quarter of the prior year. Free cash flow for the second quarter of 2023 was negative \$8.5 million compared to negative \$22.9 million in the second quarter of 2022, reflecting an operating loss of \$14.1 million, an increase in payables and a decrease in prepayments of \$2.1 million due to timing, partially offset with equity settled expenses of \$3.5 million.

And on to the balance sheet, as of June 30, 2023, TMC held cash at \$20.0 million and held no debt. And we believe that our cash on hand, along with the equity raise we just announced and the borrowing availability under our recently extended credit facility with an affiliate of Allseas will be sufficient to meet our working capital and capital expenditure commitments for at least the next 12 months from today.

I'll now turn it back over to the operator for some questions. And then Gerard, we can probably save your closing remarks for after the Q&A.

---

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from Dmitry Silversteyn with Water Tower Research.

---

### Dmitry Silversteyn - Water Tower Research LLC - Senior Analyst

Congratulations on the new financing that you guys were able to arrange. And maybe I will start there, you're a company that's got to spend a lot of capital going forward to get your project online. And typically, when companies like that try to raise capital, it's unusual for them to get a premium

to their stock price, let alone a significant premium as you've gotten. And then obviously, with the warrants being even higher priced. Can you talk about sort of what you think it says about the smart money, and how they feel about the business that you're in and the opportunities that's in front of you? What was it really that drove the confidence in the investors to finance this term sheet with such a high premium to the current stock price or to the stock prices of the estimate, I should say, for the Friday.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Dmitry. Happy to answer first, and Gerard can weigh in as well. I think the asset is the asset. This is a very, very large resource that we're developing in very high grade. And I think there's a recognition that certainly from our existing investors or partners like Allseas, our largest shareholder director, Andre Karkar, but also there are institutional investors who have really been building positions over the last year who recognize that this is a portfolio of metals - four in one single resource - that are increasingly important for the clean transition. The political tailwinds are blowing the right way. We've now derisked the offshore technology.

We derisked the onshore technology. We've signed up initial partnerships to get us in production, I mean you said that it would be a lot of capital, but I would say capital relative to what -- if you're measuring it in terms of per ton of metal, it's actually a very small amount of CapEx needed to get this project into first production. I think there's also a bit of a technical dynamic here though.

Obviously, after going public, it's been a very rocky road in the public markets, but there had been a lot of rotation away from people who are perhaps traditional SPAC investors to now building back up an institutional investor base of folks that can see the long game. And once you talk about all the derisking milestones that we've achieved, we're now narrowing into a few key questions, which is when is the final code coming and when is NORI going to apply and begin first commercial production.

So you've really narrowed a lot of those risks down to that process question. I think we now have more clarity on it. Yes, it's disappointing to see an elongation of the time line. But we think there's more certainty now associated with that timeline.

So what probability weight are you willing to put on scaling that contract approval to begin work? As we see more environmental data, we think it's very high and being able to apply that to a very undervalued asset based on NPV, it leads to a recognition that the share price should be higher, and I think the capital raise reflects that.

---

**Dmitry Silversteyn** - *Water Tower Research LLC - Senior Analyst*

That makes sense, Craig. You talking about financing and kind of staying on this topic one more time. The Slide 7 where you provided sort of your liquidity capabilities did not include this \$27 million raise or potentially a \$38 million raise on the exercise of \$11 million more in stock and warrants. Does that sort of reduce, I mean, it's part of the \$30 million -- \$70 million shift registration, I would assume. So is that where the -- where I should be deducting it when I'm thinking about your total capital raising capabilities?

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes. Yes, that's right. And obviously too, upon exercise of warrants north of \$3, that would be more cash in the door as well. But that's right. Capacity on that \$100 million S-3 shelf.

---

**Dmitry Silversteyn** - *Water Tower Research LLC - Senior Analyst*

Got you. You mentioned political headwinds and tailwinds changing a little bit. We're kind of seeing a carrot and the stick a little bit here with the carrot perhaps being the U.S. government or at least the Article 1 part of the U.S. government getting more concerned about American independence from China. And then obviously, you have the stick of Chinese becoming much more aggressive in pursuing this type of resource.

How much do you think that will have an impact on the discussions by the ISA over the next 3 sessions. And how do you feel about the probability of getting the mining code to the -- at least to the point where you can submit your application and having it evaluated and a reasonable share of getting approved?

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Yes. So look, I think the reason that we mentioned that we would not lodge the application until after the July session next year was really a show of good faith on our side because we didn't want member countries to be looking over their shoulder, thinking that an application might land on the desk tomorrow. What we want everyone focused on is completing the Mining Code.

People have said, we'd like the mining code to be in place. And so -- but of course, Article 15 was introduced into UNCLOS in 1994 for a very express purpose. And so we maintain our legal right to lodge that application. But we're confident from where we sit that combined with the more than a dozen intersessional working groups plus 3 more sessions where the ISA member states will meet, that should be enough time to get the Mining Code completed. And so I guess what we did was read the room there.

But obviously, geopolitics is playing heavily on all of this. One of the -- it was nice to see China so forthright is probably the right word down at the ISA. But of course, they weren't alone.

You had Japan and Korea and Singapore and Norway and all of the African group countries and Argentina and Mexico, I mean, there were many. And so I think that people wonder when they hear certain countries joining moratoriums. And that's not -- they're not saying we don't see this happen. They're saying, we'd like to see the Mining Code in place. Hey, so would we.

The vast majority, keeping in mind, there's 168 countries plus the European Union, and we're talking 21 of them have stuck their hand up to say, "Hey, we'd like to see a precautionary pause." But I think that as we display the environmental evidence that we are gathering. And if those results remain consistent with how they're looking today, then I know that will engender confidence because there's another big dark cloud, of course, and that dark cloud is what's happening today.

And for some reason, people in the ocean community don't want to think about what's happening on land today to secure these metals. And today, I'm in Jakarta, of course, it's where all of the growth in nickel production is coming from.

And it's coming out with a very high price it's coming in at the cost of destroying the sequestered carbon in those biodiverse rainforests. It's coming at the cost of pushing out indigenous communities, generating lots of waste and tailings. And I do believe that as our scientific evidence becomes more publicly available that it will produce a groundswell of support heading in this right way. And so geopolitics is certainly going to help there.

And of course, it was encouraging to see the NDAA language recently. It's encouraging to know that the Secretary of Defense is focused on evaluating as he was requested. What are the opportunities to process nodules on North American soil so they can secure mineral independence. So all of these things help.

And of course, we're in a unique situation because the other thing, of course, when land-based projects get a mining permit, then they've got to go out and build a heap of stuff. They've got permitting risk on construction. They've got to be able to finance that construction. Whereas this is unique, as we've told the market before, we've identified how we can process our nodules using existing infrastructure. And that means we don't have that land-based permitting hurdle to jump over. We already have our first production vessel, which also are working feverishly on converting to a production vessel after the trials last year. So these are advantages that we need to get better at communicating.

But I think the important thing is that more scientific evidence is going to build much more confidence. And I think it's going to create a very, very different scenario, like I described in the plume. It's one thing to speculate on what might happen but let's get the data. Let's get the scientific evidence to be able to make better and more informed decisions. And of course, the wrapper of that is geopolitics. And I think that's only going to help us as we move forward.

**Dmitry Silversteyn** - *Water Tower Research LLC - Senior Analyst*

And then one more question, talking about the year that you're going to be putting to good use before you apply for the exploitation permit next summer or somewhere around there. You're looking to more than double the capacity of your Project Zero. You're going to generate, I guess, I'm assuming with these 2 collection vehicles and assuming the pricing of metal stays kind of where it is about billion dollars in revenue or so. And you need about \$60 million to \$70 million more to get to the point of the application.

Can you parcel that \$60 million to \$70 million in terms of breaking between the environmental study that you're going to be conducting in the areas where you already mine the operating expenses that you're going to be incurring over the next year and perhaps the -- obviously, the cost of basically more than doubling the capacity Project Zero CapEx. What -- in that \$60 million to \$70 million, how would you partition between those main buckets?

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Well, I'll let Craig answer that question in detail. But before he does, just one thing. Obviously, we filed our accounts today. We don't have any going concern, and I'm sure we won't have next quarter either. So we do have cash and facilities available to us to get past that collection point, ah submission point of the application. But I'll hand it to you, Craig.

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes, definitely. And yes, Dmitry, that \$60 to \$70 million of cash was from the August 1st 8-K. So obviously, the incremental amount we need to raise is reduced dollar for dollar for what we are raising now and what we may raise with this sort of additional closing potentially by mid-September. With respect to the current cash and then what is needed to sort of fund us to that application, I would say roughly about half of the cost are related to the application itself, finishing our environmental and social impact assessment, pre-feasibility work.

Obviously, there's some regulatory costs in there as well. But the single biggest component of that application cost is no doubt about it, the environmental and social impact assessment. I mean we're going to be talking about nearly \$150 million that would have been spent on it by the time it's complete. And that would include the additional campaign that we are accelerating.

I think it's important to note as well that campaign, the post-collection test campaign, was always going to be part of our plans. It was just going to be a bit later on as part of our environmental monitoring and mitigation program as opposed to doing a pre-application. But yes, I think the remainder of the cost obviously there's payroll G&A.

But also there is some cost to keep the Hidden Gem available, right? Obviously, we're going to be talking with our partner, Allseas, quite regularly over the coming months. And as we've laid out, we expect to get to binding agreement with them by the end of the year. So it's a lot of different things that we laid out there. But yes, I would say about half of it is the application itself and the majority of that is the environmental spending.

**Dmitry Silversteyn** - *Water Tower Research LLC - Senior Analyst*

I guess what I -- the other point that would make is where I guess -- question is you generated or you spent about \$5 million of general administrative expense in the quarter, which is close to where you thought your kind of bare bone run rate would be if you needed to wait out the ISA and make your cash stretch. You've got some financing obviously now, so it's not as big of a deal, but it's good to see you being able to get to that \$4.5 million, \$5 million run rate, and I think it sort of confirms which you've been telling people as far as your ability to remain in the game, if you will, while waiting for this application to get done.

The only question I had, I guess, is you mentioned that some of the savings or some of the warrant savings year-over-year were offset by the cost of the pre-feasibility studies funding and increased mining and technological and process development. Is that related to the PAMCO evaluation

trials that are going on. And if so, how are those going? And how are -- sort of where do you see -- or when do you see those getting completed and some sort of a more formal arrangement made between you and PAMCO if it goes that far.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes. Look, that was part of it, Dmitry, some of those PAMCO studies. But with respect to how it's going, we've had a team spending quite a bit of time in Japan recently. We also, of course, delivered initially a 22-tonne sample of nodules to PAMCO, they've been making a lot of progress. And Gerard, perhaps you can speak a little bit about where that's going and what we see on the time line.

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Sure. Yes. Well, we certainly expect to have something binding in the second half of this year, Dmitry. And so far, we've not run into any roadblocks. The PAMCO team have been a delight to deal with, and they are very motivated as we are. And of course, as we've said on our past earnings call. There are other options that we have beyond PAMCO where we could grow into as well.

And I think that we see Japan as being an important partner in the future. They're certainly very focused on securing supplies given their neighbors. And we like the idea of having in situ processing of nodules up in Japan. But there are certainly other growth opportunities. But I'm confident we will progress that agreement in this half Dmitry.

---

**Operator**

Our next question comes from Malcolm MacDonald with Bank of America.

---

**Malcolm MacDonald** - *Bank of America - Analyst*

Congrats on the quarter. And just kind of Dmitry hit everything that I was basically going to ask. But just in terms of like balancing the nickel market, we're probably balanced through what, 2025, but then afterwards, it's that question mark. So does the ISA have the ability to expedite the code in the event that the nickel market becomes unbalanced?

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Look, I think it's fair to say that the ISA has a process, and we've tried to speed that process up a little bit, but when Nauru launched the 2-year notice. We've then come back and said, "Hey, we've heard the room. We're going to not launch an application until after the third session, which will be July next year." My observations on the nickel market is that you know we've said -- told the market that we hope to plan to be in production in the end of 2025.

And I think that's perfect timing because as I mentioned, I'm in Jakarta today, we talk to those customers. We know what that supply looks like. And I think the nickel market will be marginally oversupplied in 2024 and 2025. But speaking to all of those customers, they're panicking about what's going to happen after that. And even Indonesia has publicly stated that they're worried about running out of high-grade nickel as well. Now please God, it never happens because if it does, it means there's going to be an enormous deforestation continue at a rapid pace in countries like Indonesia, New Caledonia and the Philippines. So I hope that.....

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Gerard, did we lose you . Michelle, is he still on the line?

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Yes. Can you hear me, Craig?

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes.

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Okay. I hope that as we start to increase supply of nickel into the market and potentially even supply nodules into some of the onshore processing operations here in Indonesia.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Operator. Can you tell if Gerard is still connected. In the meantime, Malcolm, with respect to the nickel market to...

---

**Malcolm MacDonald** - *Bank of America - Analyst*

Craig, I can hear Gerard.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

There is (inaudible) just focusing on total supply versus demand tonnage. Obviously, there's going to be increasing focus on battery passports that's already coming in Europe. It's going to keep coming elsewhere, including North America, noting that there's going to be a benefit for having lower carbon nickel. So I think what we can expect is that the ISA has their time line laid out. We expect that they're going to stick to it. But this isn't just a code that it's putting in place for Polymetallic nodules. It is the code that's going to protect the marine environment. Sorry, Gerard, I lost you. Sorry if I'm talking over it is...

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

No, we're having a few technical difficulties on the platform. But look, I think that nickel market is primed. And of course, we sometimes hear people talk about the fact that other battery chemistries might decrease the demand to nickel. That's wrong. The demand for nickel is growing.

And even if things like LFP take more market share, as they have in the last several years, the demand for nickel has grown enormously during that time, and it will continue to grow because no matter which way you look at it, nickel-rich chemistries bring benefits. And if we could find a more affordable, reliable and lower impact supply of nickel, then the world is going to be a better place. There's no doubt about that. But I think the timing about us bringing this supply into the market is perfect.

---

**Malcolm MacDonald** - *Bank of America - Analyst*

Agreed. Thank you.

---

**Operator**

Our next question comes from Frank Jones with Norbury Partners.

---

**Frank Jones - Norbury Partners - Analyst**

So I think probably in the same vein of some of these questions around financing. I guess, to lead off, is there any update you guys can give on the timing or scope for the Bechtel pre-feasibility study? And the reason I ask is, is the goal are part of the goal of that study to be able to reclassify the resource as reserves and then use set reserves as assets on the balance sheet to raise capital beyond the 6 year, 7 year need to get to application.

And then I guess the last question on that topic is when you think about the value of those reserves, should they be proved or probable? Is it the value of the refined metals or raw nodules or how does -- or do you have any insight as to how the feasibility study will think about those reserves?

---

**Gerard Barron - TMC the metals company Inc. - CEO & Chairman of the Board**

Craig, do you want that or do you want me?

---

**Craig Shesky - TMC the metals company Inc. - CFO**

Well, maybe provide a little context on Bechtel. But Frank, I think post pre-feasibility, obviously, we are going to be looking forward to releasing and updating the model. We've been, of course, looking and relying upon and directing investors to the AMC initial assessment from March 2021. But we recognize that, that's looking at steady-state production for the Project Zero and Project One combined. So it's going to be increasingly important, especially with a larger capacity production system of 3.0 million tonnes for the Hidden Gem. It will be very important to sort of lay out what those economics look like for the first system. And obviously, they would improve from there.

So look, I would anticipate that because we don't yet have a market for nodules themselves, that would basically be looking at the contained metal within and then putting upon that reasonable assumptions based on some of the binding term sheets that we anticipate reaching with Allseas and PAMCO and our partners to sort of fill in some of those gaps. But Gerard, with respect to the timing, happy for you to add more color. But I think the take away, Frank, as we are eager do get that information out there as well, and we'll put it out as soon as we have the binding information to feed into it and have sort of put together all the techno-economic studies that are going to be part of that as well.

---

**Gerard Barron - TMC the metals company Inc. - CEO & Chairman of the Board**

Yes. And that will be -- that pre-feas will form part of the application, of course. And so you can assume that it will be available before or as we lodge that application. And there's no doubt that moving to proven reserves down to increase our financing options. And I think the -- as Craig mentioned, the value applied to them would basically be the deals that we sign on the processing side.

And our plan is to process to an intermediate product, the process to a matte material for the nickel, copper and cobalt and manganese silicate. And so we're looking forward to sharing those. We're encouraged by what we see at the moment. And of course, as we put those agreements, those nonbinding into binding agreements, it's going to help people fill out the pieces between the published PEA that we -- is available on our website. And what the ramp-up in production looks like.

---

**Frank Jones - Norbury Partners - Analyst**

Got it. That's helpful. And then is there any indication or do you have an indication for cash needs beyond application between submission and application to the ISA and then beginning with project?

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Look, we are still focused on -- and one of the reasons why we did, I think, a fair sized raise that we announced today. Could we have gone and raised more? I'm confident that we could have easily done that, but we do have other financing options available to us, of course, but the main investment will be the further adaptation of the Hidden Gem. And of course, we have a tremendous partner in Allseas. We're very fortunate that their core business is in fantastic financial health. They're very committed, as you could gauge by their participation in all of our financing since 2019 when they first invested in the company. This for them is an exciting project.

This is using their 37 years of deepwater engineering expertise to move into a new vessel and talking to their engineering teams, and we have daily interactions with them on the project side, the team are really excited working on this. And so we believe we have a number of financing options. And we've walked through them on previous calls. But they include earn-in, they include prepaid, they include streaming deals, they include offtake agreements or they may include equity into the project itself.

And so we have a lot of people that we're talking to. We will continue to talk to them every time we move a little bit closer to that production when there's more certainty even though some people so the announcement after the ISA session as a delay, to strategic investors it added more certainty. So for them, it's like, yes, that helps me understand the time line even better. And so we will continue to explore all of those. And I guess my message to shareholders is we really care about the equity. We really want to protect the equity. And we're very grateful to all of the shareholders who buy our stock and who've invested in the company, and we see it as our responsibility to protect that equity.

**Craig Shesky** - *TMC the metals company Inc. - CFO*

Yes. And then it comes -- with that being the -- yes, with -- as Gerard noted, the Hidden Gem and the modifications being the most important element while the capacity potential for the Hidden Gem Project Zero offshore system could be increasing by 130%, you would expect there should be some efficiencies there.

You're not going to see the CapEx increased by anywhere like that amount. This is something where a lot of the modifications that were going to be made were part of our initial plan anyway, such as a wider diameter riser pipe. A more powerful compressor spread. This is taking those plans and effectively taking the next step and then adding another collector vehicle. There's, of course, going to be investment on the offloading system as well.

But this is something where as we get more information and sort of chat through with Allseas over the coming months, we'll provide more specificity. But it shouldn't be something where you can expect a linear relationship between the increase in capacity and the increase in associated CapEx. And then, of course too, (inaudible), as we have in developing this system and project having a partner like Allseas, that's willing to put their balance sheet up to get these modifications going. That's been very, very helpful as well.

**Frank Jones** - *Norbury Partners - Analyst*

And sorry, last question. I know these are all time line related, which could be a bit annoying. You mentioned the promising information coming out of the environmental impact study. Is that something we should expect to get information on before submission to the ISA, or is that something to look for like middle of next summer?

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

No, you can expect to see a steady stream of that information becoming available. And there's also a lot of collaboration with other contractors as well because while they haven't been moving at our pace, they do have rich history. Some of those contractors have had their ground since 2001. And so they actually have a lot of historical data. They've been back to their area recently in some cases. And so I think what that's going to do is

really build a better picture of that ecosystem we'll give people a lot more confidence, but in how we can minimize the impacts and they will be minimized. So expect a steady stream of those reports coming out.

---

**Operator**

There are no further questions at this time on the phone. I'd like to turn the call back over to Gerard Barron.

---

**Craig Shesky** - *TMC the metals company Inc. - CFO*

We might do one -- sorry, Gerard. There are a few questions in the queue, but anybody whose question wasn't answered, please reach out to investors@metals.co, and we'll try to answer as many as possible. But Gerard, back over to you.

---

**Gerard Barron** - *TMC the metals company Inc. - CEO & Chairman of the Board*

Thanks, Craig. So I'd like to reflect on just some of the key derisking milestones we've seen over the last few quarters. Fourth quarter of 2022, Allseas and NORI announced major offshore collection achievements. Literally over 3,000 tonnes of nodules to the surface, proving the technology for collecting nodules works. And then in the first quarter of this year, we announced a strategic initiative with PAMCO to potentially process nodules at a facility requiring minimal modifications and no CapEx to TMC.

And also announced additional flexibility on the financing front, including the \$25 million unsecured credit facility provided by our partner, Allseas. And the support from our key shareholders has only increased as demonstrated by today's capital raise. And now we're seeing great progress on the last piece of the puzzle, the finalization of the mining code by the ISA.

And as that important work continues, our team will continue to work tirelessly to deliver the best possible application, including what I know is going to be a world-class peer-reviewed assessment of the environmental and social impacts of the first project in our portfolio, providing confidence to the world that nodules can be responsibly collected and processed into the key metals needed for the energy transition of our planet.

So I'd like to extend my sincere thanks to my team, our small army of highly skilled partners and contractors and of course, to our sponsoring states of Nauru, the Kingdom of Tonga and Kiribati. And thanks to everyone who tuned in for your interest and attention and support. And with that, I'd like to wish you all a pleasant rest of your day.

---

**Operator**

Thank you for your participation. This does conclude the program, and you may now disconnect.

---

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.