

**PROSPECTUS SUPPLEMENT NO. 2
(TO PROSPECTUS DATED JULY 12, 2022)**



TMC THE METALS COMPANY INC.

**Up to 264,438,297 Common Shares
Up to 9,500,000 Warrants**

This prospectus supplement no. 2 (this “Supplement”) supplements the prospectus dated July 12, 2022 (the “Prospectus”) relating to the issuance by us of up to an aggregate of 24,500,000 of our common shares, without par value (“Common Shares”), which consists of (i) up to 9,500,000 Common Shares that are issuable upon the exercise of private placement warrants (the “Private Placement Warrants”) originally issued in a private placement in connection with the initial public offering of our predecessor company, Sustainable Opportunities Acquisition Corp. (“SOAC”), at an exercise price of \$11.50 per Common Share, and (ii) up to 15,000,000 Common Shares that are issuable upon the exercise of 15,000,000 warrants issued in connection with the initial public offering of SOAC (the “Public Warrants,” and together with the Private Placement Warrants, the “Warrants”).

The Prospectus and this Supplement also relate to the resale from time to time by the Selling Securityholders named in the Prospectus (the “Selling Securityholders”) of up to (i) 9,500,000 Private Placement Warrants, (ii) 9,500,000 Common Shares that may be issued upon exercise of the Private Placement Warrants, (iii) 11,578,620 Common Shares that may be issued upon exercise of the Allseas Warrant (as defined in the Prospectus), (iv) 6,759,000 Common Shares held by SOAC’s former directors, transferees of SOAC’s sponsor, Sustainable Opportunities Holdings LLC (the “Sponsor”), and certain of their transferees (collectively, the “Founder Shares”), (v) 11,030,000 Common Shares issued in the PIPE Financing (as defined in the Prospectus), (vi) 131,178,480 Common Shares issued to certain shareholders of DeepGreen (as defined in the Prospectus) pursuant to the Business Combination Agreement (as defined in the Prospectus), (vii) 77,277,244 Common Shares issuable to certain shareholders of DeepGreen upon the conversion of DeepGreen Earnout Shares (as defined in the Prospectus) pursuant to the Business Combination Agreement, (viii) 1,241,000 Common Shares issuable to the transferees of the Sponsor and their transferees upon the conversion of Sponsor Earnout Shares (as defined in the Prospectus) and (ix) 873,953 Common Shares issued to certain service providers to DeepGreen.

The Prospectus provides you with a general description of such securities and the general manner in which we and the Selling Securityholders may offer or sell the securities. More specific terms of any securities that we and the Selling Securityholders may offer or sell may be provided in a prospectus supplement that describes, among other things, the specific amounts and prices of the securities being offered and the terms of the offering. The prospectus supplement may also add, update or change information contained in the Prospectus.

We will not receive any proceeds from the sale of Common Shares or Private Placement Warrants by the Selling Securityholders or of Common Shares by us pursuant to the Prospectus, except with respect to amounts received by us upon exercise of the Warrants.

However, we will pay the expenses, other than any underwriting discounts and commissions, associated with the sale of securities pursuant to the Prospectus.

We registered certain of the securities for resale pursuant to the Selling Securityholders' registration rights under certain agreements between us and the Selling Securityholders. Our registration of the securities covered by the Prospectus does not mean that either we or the Selling Securityholders will issue, offer or sell, as applicable, any of the securities. The Selling Securityholders may offer and sell the securities covered by the Prospectus in a number of different ways and at varying prices. We provide more information about how the Selling Securityholders may sell the shares or Warrants in the section entitled "Plan of Distribution" in the Prospectus.

This Supplement incorporates into the Prospectus the information contained in our attached quarterly report on Form 10-Q which was filed with the Securities and Exchange Commission on August 15, 2022.

You should read this Supplement in conjunction with the Prospectus, including any supplements and amendments thereto. This Supplement is qualified by reference to the Prospectus except to the extent that the information in this Supplement supersedes the information contained in the Prospectus. This Supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any supplements and amendments thereto.

Our Common Shares and Public Warrants are listed on Nasdaq under the symbols "TMC" and "TMCWW," respectively. On August 12, 2022, the closing price of our Common Shares was \$1.00 and the closing price for our Public Warrants was \$0.13.

Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page 13 of the Prospectus and in the other documents that are incorporated by reference in the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 15, 2022.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File Number: 001-39281

TMC THE METALS COMPANY INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction of incorporation or organization)

Not Applicable
(IRS Employer Identification No.)

595 Howe Street, 10th Floor
Vancouver, British Columbia
(Address of principal executive offices)

V6C 2T5
(Zip Code)

(574) 252-9333

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	TMC	The Nasdaq Stock Market LLC
Redeemable warrants, each whole warrant exercisable for one Common Share, each at an exercise price of \$11.50 per share	TMCWW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 12, 2022, the registrant had 227,158,455 common shares outstanding.

TMC THE METALS COMPANY INC.
FORM 10-Q
For the quarterly period ended June 30, 2022

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In this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” the “Company” and “TMC” mean TMC the metals company Inc. (formerly Sustainable Opportunities Acquisition Corp.) and our subsidiaries. On September 9, 2021, Sustainable Opportunities Acquisition Corp. (“SOAC” and after the Business Combination described herein, the “Company”) consummated a business combination (the “Business Combination”) pursuant to the terms of the business combination agreement dated as of March 4, 2021 by and among SOAC, 1291924 B.C. Unlimited Liability Company, an unlimited liability company existing under the laws of British Columbia, Canada (“NewCo Sub”), and DeepGreen Metals Inc., a company existing under the laws of British Columbia, Canada (“DeepGreen”). In connection with the Business Combination, SOAC changed its name to “TMC the metals company Inc”.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that relate to future events, our future operations or financial performance, or our plans, strategies and prospects. These statements are based on the beliefs and assumptions of our management team. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or performance, are forward-looking statements. These statements may be preceded by, followed by or include the words “believes,” “estimates,” “expects,” “projects,” “forecasts,” “may,” “will,” “should,” “seeks,” “plans,” “scheduled,” “anticipates” or “intends” or the negative of these terms, or other comparable terminology intended to identify statements about the future, although not all forward-looking statements contain these identifying words. The forward-looking statements are based on projections prepared by, and are the responsibility of, our management. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the commercial and technical feasibility of seafloor polymetallic nodule collection and processing;
- our and our partners’ development and operational plans, including with respect to the planned uses of polymetallic nodules, where and how nodules will be obtained and processed, the expected environmental, social and governance impacts thereof and our plans to assess these impacts and the timing and scope of these plans;
- the supply and demand for battery metals and battery cathode feedstocks, copper cathode and manganese ores;
- the future prices of battery metals and battery cathode feedstocks, copper cathode and manganese ores;
- the timing and content of International Seabed Authority’s (“ISA”) final exploitation regulations that will create the legal and technical framework for exploitation of polymetallic nodules in the Clarion Clipperton Zone of the Pacific Ocean (“CCZ”);
- government regulation of mineral extraction from the deep seafloor and changes in mining laws and regulations;
- technical, operational, environmental, social and governance risks of developing and deploying equipment to collect polymetallic nodules at sea and to process such nodules on land;
- the sources and timing of potential revenue as well as the timing and amount of estimated future production, costs of production, other expenses, capital expenditures and requirements for additional capital;
- cash flow provided by operating activities;
- the expected activities of our partners under our key strategic relationships;
- the sufficiency of our cash on hand to meet our working capital and capital expenditure requirements and our ability to continue as a going concern;
- the recently announced private placement financing, including the timing of receipt, and amount, of expected proceeds therefrom;
- our ability to raise financing in the future and our plans with respect thereto;
- any litigation to which we are a party;
- claims and limitations on insurance coverage;
- our plans to mitigate our material weaknesses in our internal control over financial reporting;
- the restatement of our financial statements;
- geological, metallurgical and geotechnical studies and opinions;
- mineral resource estimates;
- our status as an emerging growth company, non-reporting Canadian issuer and passive foreign investment company;
- infrastructure risks;
- dependence on key management personnel and executive officers;

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- political and market conditions beyond our control;
- COVID-19 and the impact of the COVID-19 pandemic on our business; and
- our financial performance.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Important factors could cause actual results, performance or achievements to differ materially from those indicated or implied by forward-looking statements such as those described under the caption “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the SEC on March 25, 2022 (the “2021 Annual Report on Form 10-K”), as updated and supplemented under the caption “Risk Factors” in Item 1A of Part II of this Quarterly Report on Form 10-Q as further updated and/or supplemented in subsequent filings with the SEC. Such risks are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TMC the metals company Inc.
Condensed Consolidated Balance Sheets
(in thousands of US Dollars, except share amounts)
(Unaudited)

<u>ASSETS</u>	<u>Note</u>	<u>As at June 30, 2022</u>	<u>As at December 31, 2021</u>
Current			
Cash		\$ 46,259	\$ 84,873
Receivables and prepayments		4,700	3,686
		50,959	88,559
Non-current			
Exploration contracts	4	43,150	43,150
Equipment		2,008	1,416
		45,158	44,566
TOTAL ASSETS		\$ 96,117	\$ 133,125
LIABILITIES			
Current			
Accounts payable and accrued liabilities		9,189	26,573
		9,189	26,573
Non-current			
Deferred tax liability		10,675	10,675
Warrants liability	5	2,584	3,126
TOTAL LIABILITIES		\$ 22,448	\$ 40,374
EQUITY			
Common shares (<i>unlimited shares, no par value – issued: 227,158,455 (December 31, 2021 – 225,432,493)</i>)		299,056	296,051
Class A - J Special Shares		—	—
Additional paid in capital		113,487	102,073
Accumulated other comprehensive loss		(1,216)	(1,216)
Deficit		(337,658)	(304,157)
TOTAL EQUITY		73,669	92,751

TOTAL LIABILITIES AND EQUITY**\$ 96,117 \$ 133,125****Nature of Operations** *(Note 1)***Commitments and Contingent Liabilities** *(Note 9)***Subsequent Event** *(Note 11)*

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Loss and Comprehensive Loss
(in thousands of US Dollars, except share and per share amounts)
(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021 (Restated ¹) (Note 1)	2022	2021 (Restated ¹) (Note 1)
Operating expenses					
Exploration and evaluation expenses	4	\$ 9,985	\$ 18,226	\$ 17,328	\$ 56,333
General and administrative expenses		8,343	10,440	16,907	27,804
Operating loss		18,328	28,666	34,235	84,137
Other items					
Change in fair value of warrant liability	5	(5,730)	—	(542)	—
Foreign exchange loss (gain)		(22)	33	—	52
Interest expense (income)		(192)	441	(192)	661
Loss and comprehensive loss for the period		\$ 12,384	\$ 29,140	\$ 33,501	\$ 84,850
Loss per share					
– Basic and diluted	7	\$ 0.05	\$ 0.15	\$ 0.15	\$ 0.44
Weighted average number of common shares outstanding					
– basic and diluted	7	227,119,216	196,508,806	226,600,186	194,455,031

(1) The condensed consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2021 were restated. Refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the Securities and Exchange Commission on November 15, 2021.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Changes in Equity
(in thousands of US Dollars, except share amounts)
(Unaudited)

Three months ended June 30, 2022	Common Shares		Preferred Shares	Special Shares	Additional Paid in Capital	Accumulated Other Comprehensive Loss	Deficit	Total
	Shares	Amount						
March 31, 2022								
	226,780,843	\$ 298,263	\$ —	\$ —	\$ 107,952	\$ (1,216)	\$ (325,274)	\$ 79,725
Exercise of stock options (Note 6)	18,461	22	—	—	(10)	—	—	12
Conversion of restricted share units, net of shares withheld for taxes (Note 6)	316,725	705	—	—	(705)	—	—	—
Share purchase under Employee Share Purchase Plan (Note 6)	42,426	66	—	—	(10)	—	—	56
Share-based compensation (Note 6)	—	—	—	—	6,305	—	—	6,305
Expenses to be settled in share-based payments	—	—	—	—	(45)	—	—	(45)
Loss for the period	—	—	—	—	—	—	(12,384)	(12,384)
June 30, 2022	227,158,455	\$ 299,056	\$ —	\$ —	\$ 113,487	\$ (1,216)	\$ (337,658)	\$ 73,669
Three months ended June 30, 2021 (Restated ¹) (Note 1)								
March 31, 2021								
	195,945,508	\$ 183,137	\$ 550	\$ —	\$ 61,728	\$ (1,216)	\$ (218,568)	\$ 25,631
Exercise of stock options (Note 6)	1,841,944	5,716	—	—	(4,530)	—	—	1,186
Share-based compensation (Note 6)	—	—	—	—	15,343	—	—	15,343
Common shares issued for services	6,947	48	—	—	—	—	—	48
Loss for the period	—	—	—	—	—	—	(29,140)	(29,140)
June 30, 2021	197,794,399	\$ 188,901	\$ 550	\$ —	\$ 72,541	\$ (1,216)	\$ (247,708)	\$ 13,068

(1) The condensed consolidated statement of changes in shareholders' equity for the three months ended June 30, 2021 was restated. Refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the Securities and Exchange Commission on November 15, 2021.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Changes in Equity
(in thousands of US Dollars, except share amounts)
(Unaudited)

	Common Shares		Preferred	Special	Additional Paid in	Accumulated Other Comprehensive		Total
	Shares	Amount				Loss	Deficit	
Six months ended June 30, 2022								
December 31, 2021	225,432,493	\$ 296,051	\$ —	\$ —	\$ 102,073	\$ (1,216)	\$ (304,157)	\$ 92,751
Exercise of stock options (Note 6)	18,461	22	—	—	(10)	—	—	12
Conversion of restricted share units, net of shares withheld for taxes (Note 6)	1,665,075	2,917	—	—	(2,995)	—	—	(78)
Share purchase under Employee Share Purchase Plan (Note 6)	42,426	66	—	—	(10)	—	—	56
Share-based compensation (Note 6)	—	—	—	—	14,429	—	—	14,429
Loss for the period	—	—	—	—	—	—	(33,501)	(33,501)
June 30, 2022	227,158,455	\$ 299,056	\$ —	\$ —	113,487	\$ (1,216)	\$ (337,658)	\$ 73,669
Six months ended June 30, 2021 (Restated ¹)								
(Note 1)	Shares	Amount	Shares	Shares	Capital	Loss	Deficit	Total
December 31, 2020	189,493,593	\$ 154,431	\$ 550	\$ —	\$ 45,347	\$ (1,216)	\$ (162,858)	\$ 36,254
Exercise of stock options (Note 6)	3,990,934	8,258	—	—	(5,702)	—	—	2,556
Common shares to be issued for exploration and evaluation expenses	4,245,031	25,664	—	—	(12,879)	—	—	12,785
Share-based compensation (Note 6)	—	—	—	—	45,768	—	—	45,768
Common shares to be issued for stock options exercise	—	—	—	—	7	—	—	7
Common shares issued for services	6,947	48	—	—	—	—	—	48
Conversion of debentures	57,894	500	—	—	—	—	—	500
Loss for the period	—	—	—	—	—	—	(84,850)	(84,850)
June 30, 2021	197,794,399	\$ 188,901	\$ 550	\$ —	\$ 72,541	\$ (1,216)	\$ (247,708)	\$ 13,068

(1) The condensed consolidated statement of changes in shareholders' equity for the six months ended June 30, 2021 was restated. Refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the Securities and Exchange Commission on November 15, 2021.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands of US Dollars)
(Unaudited)

Note	Six months ended June 30, 2022	Six months ended June 30, 2021 (Restated ¹) (Note 1)
Cash provided by (used in)		
Operating activities		
Loss for the period	\$ (33,501)	\$ (84,850)
Items not affecting cash:		
Amortization	189	196
Expenses settled with share-based payments	6 12,746	58,600
Interest on convertible debentures	—	661
Change in fair value of warrants liability	5 (542)	—
Unrealized foreign exchange	29	(8)
Changes in working capital:		
Receivables and prepayments	(1,089)	74
Accounts payable and accrued liabilities	(15,955)	7,382
Net cash used in operating activities	(38,123)	(17,945)
Investing activities		
Settlement of deferred acquisition costs	—	(3,440)
Acquisition of equipment	(452)	(402)
Net cash used in investing activities	(452)	(3,842)
Financing activities		
Proceeds from employee share purchase plan	56	—
Proceeds from exercise of stock options	12	2,563
Proceeds from issuance of convertible debentures	—	26,000
Taxes withheld and paid on share-based compensation	(78)	—
Net cash (used in) provided by financing activities	(10)	28,563
(Decrease) increase in cash	\$ (38,585)	\$ 6,776
Impact of exchange rate changes on cash	(29)	8
Cash - beginning of period	84,873	10,096
Cash - end of period	\$ 46,259	\$ 16,880

(1) The condensed consolidated statement of cash flows for the six months ended June 30, 2021 was restated. Refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed with the Securities and Exchange Commission on November 15, 2021.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

1. Nature of Operations

TMC the metals company Inc. (“TMC” or the “Company”), formerly known as Sustainable Opportunities Acquisition Corporation (“SOAC”), was incorporated as a Cayman Islands exempted company limited by shares on December 18, 2019 and continued as a corporation under the laws of the province of British Columbia, Canada on September 9, 2021. On September 9, 2021, the Company completed its business combination (the “Business Combination”) with DeepGreen Metals Inc. (“DeepGreen”). The Company’s corporate office, registered address and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company’s common shares and warrants to purchase common shares are listed for trading on the Nasdaq Global Select Market (“Nasdaq”) under tickers “TMC” and “TMCWW”, respectively. In connection with closing of the Business Combination, DeepGreen merged with a wholly-owned subsidiary of SOAC and became a wholly-owned subsidiary of the Company. DeepGreen was determined to be the accounting acquirer and therefore, all information prior to the Business Combination, including the prior period financial information, represents the financial condition and operating results of DeepGreen.

The Company is a deep-sea minerals exploration company focused on the collection and processing of polymetallic nodules found on the seafloor in international waters of the Clarion Clipperton Zone in the Pacific Ocean (“CCZ”), located approximately 1,300 nautical miles southwest of San Diego, California. These nodules contain high grades of four metals (nickel, copper, cobalt, manganese) which can be used as (i) feedstock for battery cathode precursors (nickel and cobalt sulfates) for electric vehicles (“EV”) and renewable energy storage markets, (ii) nickel-copper-cobalt matte and/or copper cathode for EV wiring, clean energy transmission and other applications and (iii) manganese silicate for manganese alloy production require for steel production.

Exploration and exploitation of seabed minerals in international waters is regulated by the International Seabed Authority (“ISA”), an intergovernmental organization established in 1994 pursuant to the United Nations Convention on the Law of the Sea. ISA contracts are granted to sovereign states or to private contractors who are sponsored by a sovereign state. The Company’s wholly-owned subsidiary, Nauru Ocean Resources Inc. (“NORI”), was granted an exploration contract (the “NORI Exploration Contract”) by the ISA in July 2011 under the sponsorship of the Republic of Nauru (“Nauru”) giving NORI exclusive rights to explore for polymetallic nodules in an area covering 74,830 km² in the CCZ (“NORI Area”). On March 31, 2020, the Company acquired Tonga Offshore Mining Limited (“TOML”), which was granted an exploration contract (the “TOML Exploration Contract”) by the ISA in January 2012 under the sponsorship of the Kingdom of Tonga (“Tonga”) and has exclusive rights to explore for polymetallic nodules covering an area of 74,713 km² in the CCZ (“TOML Area”). Marawa Research and Exploration Limited (“Marawa”), an entity owned and sponsored by the Republic of Kiribati (“Kiribati”), was granted rights by the ISA to polymetallic nodules exploration in an area of 74,990 km² in the CCZ (“Marawa Area”). The Company through its subsidiary DeepGreen Engineering Pte. Ltd. (“DGE”) entered into an option agreement (the “Marawa Option Agreement”) with Marawa to acquire the right to purchase tenements, as may be granted to Marawa by the ISA or any other regulatory body, granted to exclusively collect nodules from the Marawa Area in return for a royalty payable to Marawa. The Company is working with its strategic partner and investor, Allseas Group S.A. (“Allseas”), to develop a system to collect, lift and transport nodules from the seafloor to shore and to subsequently convert that system into an early commercial production system (Note 4).

The realization of the Company’s assets and attainment of profitable operations is dependent upon many factors including, among other things: financing being arranged by the Company to continue operations, development of a nodule collection system for the recovery of polymetallic nodules from the seafloor as well as development of processing technology for the treatment of polymetallic nodules, the establishment of mineable reserves, the commercial and technical feasibility of seafloor polymetallic nodule collection and processing, metal prices, and regulatory approvals and environmental permitting for commercial operations. The outcome of these matters cannot presently be determined because they are contingent on future events and may not be fully under the Company’s control.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

Since March 2020, several measures have been implemented by the governments in Canada, the United States of America (“US”), Australia, and the rest of the world in the form of office closures and limiting the movement of personnel in response to the increased impact from the novel coronavirus (“COVID-19”). While the impact of COVID-19 has not been significant to the Company’s business operations to date, the current circumstances are dynamic and could negatively impact the Company’s business operations, exploration and development plans, results of operations, financial position, and cash flows.

2. Basis of Presentation

These unaudited condensed consolidated interim financial statements are prepared in accordance with US Generally Accepted Accounting Principles (“US GAAP”) for interim financial statements. Accordingly, certain information and footnote disclosures required by US GAAP have been condensed or omitted in these unaudited condensed consolidated interim financial statements pursuant to such rules and regulation. In management’s opinion, these unaudited condensed consolidated interim financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company’s statement of financial position, operating results for the periods presented, comprehensive loss, shareholder’s equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2022 or for any other period. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2021. The Company has applied the same accounting policies as in the prior year, except as disclosed below.

All share and per share amounts have been adjusted to reflect the impact of the Business Combination.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the notes thereto. Significant estimates and assumptions reflected in these condensed consolidated interim financial statements include, but are not limited to, the valuation of share-based payments, including valuation of incentive stock options (Note 6) and the common shares issued to Maersk Supply Service A/S, and warrants liability (Note 5). Actual results could differ materially from those estimates.

Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. In accordance with U.S. GAAP, the Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1** - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- **Level 2** - Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- **Level 3** - Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

There were no transfers between fair value measurement levels during the three and six months ended June 30, 2022 and 2021.

As at June 30, 2022 and December 31, 2021, the carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The financial instruments also include public and private warrants issued by the Company. The warrants are valued at fair value which is disclosed in Note 5.

Significant Accounting Policies Adopted during the period

Share-Based Compensation on Employee Share Purchase Plan

During the second quarter of 2022, the Company implemented an employee share purchase plan (the “ESPP”) whereby employees can purchase common shares of the Company at a 15% discount to its share price at the time of purchase, through payroll deductions (Note 6). Employee contributions are converted into common shares at a discount to the lower of the share price at the beginning of the offering period and the share price at the end of the purchase period. The fair value of the shares purchased under the ESPP is estimated on the grant date using a Black-Scholes option-pricing model and is reported as share-based compensation over the offering period, using the accelerated attribution method. Share-based compensation costs are charged to exploration and evaluation expenses or general and administrative expenses in the statement of loss and comprehensive loss.

3. Recent Accounting Pronouncements Issued and Adopted

i. Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options

In May 2021, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2021-04, *“Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options”*, which clarified and reduced diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. Specifically, an issuer should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument. Modification or an exchange that is a part of or directly related to a modification or an exchange of an existing debt instrument should be measured as the difference between the fair value of the modified or exchanged written call option and the fair value of that written call option immediately before it is modified or exchanged. The effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange on the basis of the substance of the transaction should be recognized in the same manner as if cash had been paid as consideration. ASU 2021-04 is effective for fiscal periods ending on or after December 15, 2021, with early adoption permitted. ASU 2021-04 is applied prospectively to modifications or exchanges occurring on or after the effective date. The adoption of ASU 2021-04 on January 1, 2022 did not have a material impact on the Company’s condensed consolidated interim financial statements.

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4. Exploration Contracts

Strategic Partnerships

Strategic Alliance with Allseas Pilot Mining Test Project

The Company made the second \$10 million payment of the amended Pilot Mining Test Agreement (“PMTA”) on April 25, 2022, upon successful completion of the North Sea drive test on March 25, 2022. The third and final \$10 million will be payable upon successful completion of the pilot trial of the Pilot Mining Test System (“PMTS”) in NORI Area D. Completion of the pilot trial of the PMTS and third and final payment is expected to occur in the fourth quarter of 2022.

Total cost recorded as exploration and evaluation expenses for the PMTS during the three and six months ended June 30, 2022 amounted to \$1.3 million and \$2.6 million, respectively (three and six months ended June 30, 2021 amounted to \$nil). The Company has not recorded a liability for the third payment as at June 30, 2022.

On March 16, 2022, the Company’s subsidiary, NORI, and Allseas entered into a non-binding term sheet which contemplates an upgrade of the PMTS into a commercial nodule collection system and commercial operation of this system in NORI Area D. The terms are subject to negotiation between NORI and Allseas and if successful, may result in amendments to the existing Strategic Alliance Agreement.

As at June 30, 2022, Allseas owned 17.2 million TMC common shares (December 31, 2021 – 16.2 million TMC common shares) which constituted 7.6% (December 31, 2021 – 7.2%) of total common shares outstanding.

Exploration and Evaluation Expenses

The detail of exploration and evaluation expenses is as follows:

For the three months ended June 30, 2022	NORI Exploration Contract	Marawa Option Agreement	TOML Exploration Contract	Total
Exploration labor	\$ 814	\$ 176	\$ 173	\$ 1,163
Offshore campaigns	2,515	2	2	2,519
Share-based compensation (Note 6)	2,027	442	444	2,913
Amortization	93	—	1	94
External consulting	1,476	27	28	1,531
Travel, workshop and other	281	25	141	447
PMTS	1,054	132	132	1,318
	\$ 8,260	\$ 804	\$ 921	\$ 9,985
For the three months ended June 30, 2021 (Restated)	NORI Exploration Contract	Marawa Option Agreement	TOML Exploration Contract	Total
Exploration labor	\$ 410	\$ 165	\$ 172	\$ 747
Offshore campaigns	5,684	654	654	6,992
Share-based compensation (Note 6)	5,123	2,092	2,194	9,409
Amortization	97	—	1	98
External consulting				

	546	161	157	864
Travel, workshop and other	<u>99</u>	<u>13</u>	<u>4</u>	<u>116</u>
	<u>\$ 11,959</u>	<u>\$ 3,085</u>	<u>\$ 3,182</u>	<u>\$ 18,226</u>

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	NORI Exploration	Marawa Option	TOML Exploration	
For the six months ended June 30, 2022	Contract	Agreement	Contract	Total
Exploration labor	\$ 1,619	\$ 341	\$ 341	\$ 2,301
Offshore campaigns	2,700	30	30	2,760
Share-based compensation (Note 6)	4,020	893	899	5,812
Amortization	187	—	2	189
External consulting	2,828	78	61	2,967
Travel, workshop and other	447	58	173	678
PMTS	2,097	262	262	2,621
	\$ 13,898	\$ 1,662	\$ 1,768	\$ 17,328
For the six months ended June 30, 2021	NORI Exploration	Marawa Option	TOML Exploration	
(Restated)	Contract	Agreement	Contract	Total
Exploration labor	\$ 846	\$ 353	\$ 338	\$ 1,537
Offshore campaigns	19,014	2,320	2,320	23,654
Share-based compensation (Note 6)	15,102	6,332	6,113	27,547
Amortization	194	—	2	196
External consulting	2,085	420	446	2,951
Travel, workshop and other	249	93	106	448
	\$ 37,490	\$ 9,518	\$ 9,325	\$ 56,333

5. Warrants

For accounting purposes, the Company was considered to have issued the 15,000,000 common share warrants issued by SOAC as part of the units offered in its initial public offering (“Public Warrants”) and the 9,500,000 private placement common share warrants issued by SOAC in a private placement simultaneously with the closing of the initial public offering (“Private Warrants”) as part of the Business Combination.

Public Warrants

As at June 30, 2022, 15,000,000 (December 31, 2021 - 15,000,000) Public Warrants were outstanding. Public Warrants may only be exercised for a whole number of shares.

On October 7, 2021, the Company filed a Registration Statement on Form S-1 with respect to the common shares underlying the Public Warrants, as well as the Private Warrants, which was declared effective by the SEC on October 22, 2021. Following the Company’s filing of its Annual Report on Form 10-K for the year ended December 31, 2021, the Company has filed a post-effective amendment to the Registration Statement on Form S-1, which was declared effective by the SEC on July 12, 2022.

As at June 30, 2022, the value of outstanding Public Warrants of \$19.5 million was recorded in additional paid in capital.

Private Warrants

As at June 30, 2022, 9,500,000 Private Warrants were outstanding (December 31, 2021 - 9,500,000).

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The Company re-measures the fair value of the Private Warrants at the end of each reporting period. The Private Warrants were valued using a Black-Scholes model, which resulted in a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Warrants was the expected volatility of the Company's common shares. The expected volatility was estimated using a binomial model based on consideration of the implied volatility from the Company's Public Warrants adjusted to account for the call feature of the Public Warrants at prices above \$18.00 during 20 trading days within any 30-trading day period.

As at June 30, 2022, the fair value of outstanding Private Warrants of \$2.6 million is recorded as warrants liability. The following table presents the changes in the fair value of warrants liability:

	Private Warrants
Warrants liability as at December 31, 2021	\$ 3,126
Decrease in fair value of warrants liability	(542)
Warrants liability as at June 30, 2022	\$ 2,584

As at June 30, 2022 and December 31, 2021, the fair value of the Private Warrants was estimated using the following assumptions:

	June 30, 2022	December 31, 2021
Exercise price	\$ 11.50	\$ 11.50
Share price	\$ 1.03	\$ 2.08
Volatility	95.11 %	64.6 %
Term	4.2 years	4.7 years
Risk-free rate	2.96 %	1.2 %
Dividend yield	0.0 %	0.0 %

There were no exercises or redemptions of the Public Warrants or Private Warrants during the three and six months ended June 30, 2022.

Allseas Warrants

Allseas holds warrants to purchase common shares (the Allseas Warrants), which will vest and become exercisable upon successful completion of the PMTS and will expire on September 30, 2026. A maximum of 11.6 million warrants to purchase common shares will vest if the PMTS is completed by September 30, 2023, gradually decreasing to 5.8 million warrants to purchase common shares if the PMTS is completed after September 30, 2025. The Company will record the expense for the Allseas Warrants upon successful completion of the pilot trial of the PMTS in the NORI Area D. No expense or liability has been recorded as at and for the three and six months ended June 30, 2022.

6. Share-Based Compensation

The Company's 2021 Incentive Equity Plan (the "Plan") provides that the aggregate number of common shares reserved for future issuance under the Plan is 33,699,685 common shares, including 9,017,299 shares added to the Plan in January 2022 pursuant to the Plan's automatic annual increase provision described below, provided that 2,243,853 of the outstanding common shares shall only be available for awards made to non-employee directors of the Company. On the first day of each fiscal year beginning in 2022 to the tenth anniversary of the closing of the Business Combination, the number of common shares that may be issued pursuant to the Plan is automatically increased by an amount equal to the lesser of 4% of the number of outstanding common shares or an amount determined by the Board of Directors.

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Stock options

As at June 30, 2022, there were 15,475,638 stock options outstanding under the Company’s Short-Term Incentive Plan (“STIP”) and 9,783,922 stock options outstanding under the Company’s Long-Term Incentive Plan (“LTIP”). During the three and six months ended June 30, 2022, 18,461 STIP stock options were exercised and no new options were granted.

During the three and six months ended June 30, 2022, the Company recognized \$3.6 million and \$7.4 million respectively (three and six months ended June 30, 2021 - \$15.4 million and \$45.8 million, respectively) of share-based compensation expense for stock options in the statement of loss and comprehensive loss. For the three and six months ended June 30, 2022 a total of \$1.9 million and \$3.9 million respectively, was recorded in exploration and evaluation expenses (three and six months ended June 30, 2021 - \$9.5 million and \$27.6 million, respectively). The amount recorded in general and administration expenses for three and six months ended June 30, 2022 was \$1.7 million and \$3.5 million respectively (three and six months ended June 31, 2021 - \$5.9 million and \$18.2 million respectively).

Restricted Share Units

The details of RSUs granted during the three and six months ended June 30, 2022 are described below.

Vesting Period	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Vesting Immediately	255,749	—	1,713,153	—
Vesting in thirds on each anniversary of the grant date	—	—	369,394	—
Vesting in fourths on each anniversary of the grant date	—	—	527,800	—
Vesting fully on the anniversary of the grant date	476,189	—	476,189	—

Out of the 1,713,153 units vesting immediately on grant date, 1,072,572 units were issued to settle liabilities with a carrying amount of \$1.8 million at a weighted average grant date fair value of \$1.75 per RSU.

During the three and six months ended June 30, 2022, an aggregate of 476,189 RSUs were granted to the Company’s non-employee directors under the Company’s Non-employee Director Compensation Policy, which vest upon the Company’s 2023 annual shareholders meeting. The total fair value of units granted as annual grants to the non-employee directors amounted to \$700,000.

During the three and six months ended June 30, 2022, a total of \$2.1 million and \$4.0 million respectively (three and six months ended June 30, 2021 - \$nil) was charged to the statement of loss and comprehensive loss as share-based compensation expense for RSUs. For the three and six months ended June 30, 2022, a total of \$1 million and \$1.9 million respectively, was recorded in exploration and evaluation expenses (three and six months ended June 30, 2021 - nil). The amount recorded in general and administration expenses for three and six months ended June 30, 2022 was \$1.1 million and \$2.1 million respectively (three and six months ended June 31, 2021 - \$nil). As at June 30, 2022, total unrecognized share-based compensation expense for RSUs was \$10.6 million (December 31, 2021 - \$12.3 million).

Employee Share Purchase Plan

On May 31, 2022, TMC’s 2021 Employee Share Purchase Plan was approved at the Company’s 2022 annual shareholders meeting, including the approval of the issuance of up to 5,254,324 common shares under the ESPP. This included 2,254,324 shares added to the ESPP in January 2022 pursuant to the ESPP’s annual increase provision. As per the annual increase provision on the first day of each of the Company’s fiscal years after 2022, common shares equal to the lesser of (i) 1% percent of the common shares outstanding on the last day of the immediately preceding fiscal year, or (ii) such lesser number of shares as is determined by the Board will be added to the ESPP.

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Participation in the ESPP is available to all full-time and certain part-time employees. The ESPP comprises offering periods that are twenty-four (24) months in length, which begin on approximately every June 1 and December 1. Each offering period includes four purchase periods of six months each, which begin on approximately every June 1 and December 1, or at such other times designated by the board of directors or its compensation committee. At the end of each purchase period, the accumulated deductions from participating employees are used to purchase common shares of the Company. Shares are purchased at a price equal to 85% of the lower of either the share price of the Company's common shares on the first business day of the particular offering period or the last business day of the purchase period. The plan also has an automatic reset feature wherein, if the share price of the common share on any exercise date is less than the share price of the common share on the first business day of the applicable offering period, then such offering period shall automatically terminate immediately after the purchase of the common shares. In such case, a new offering period shall commence on the first business day following the exercise date.

The ESPP includes the following limitations:

- an employee's contribution is limited to 15% of the employee's annual gross earnings, not to exceed \$25,000 per year,
- an employee's purchases in any offering period cannot exceed 15,000 common shares, and
- an employee's purchases are capped, not to exceed 5% of the Company's total outstanding common shares

During the three and six months ended June 30, 2022, a total of \$23 thousand was charged to the condensed consolidated statement of loss and comprehensive loss out of which a total of \$8 thousand was recorded in exploration and evaluation expenses and \$15 thousand was recorded in general and administration expenses. The Company issued 42,426 common shares to its employees as part of its ESPP program during the three and six months ended June 30, 2022.

7. Loss per Share

Basic and diluted loss per share was the same for each period presented as the inclusion of all common share equivalents would have been anti-dilutive. Anti-dilutive equivalent common shares were as follows:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Outstanding options to purchase common shares	25,259,560	25,287,670
Outstanding RSUs	5,262,330	—
Outstanding shares under ESPP	13,846	—
Outstanding warrants	36,078,620	—
Outstanding Special Shares and options to purchase Special Shares	136,239,964	—
Total anti-dilutive common equivalent shares	202,854,320	25,287,670

8. Related Party Transactions

The Company's subsidiary, DeepGreen Engineering Pte. Ltd., is engaged in a consulting agreement with SSCS Pte. Ltd. ("SSCS") to manage offshore engineering studies. A director of DGE is employed through SSCS. Consulting services during the three and six months ended June 30, 2022 totaled \$69 thousand and \$138 thousand (three and six months ended June 30, 2021 - \$64 thousand and \$138 thousand respectively) out of which for three and six months ended June 30, 2022 a total of \$55 thousand \$110 thousand, respectively (three and six months ended June 30, 2021 - \$51 thousand and \$110 thousand, respectively) is disclosed as exploration labor within exploration and evaluation expenses (Note 4) and \$14 thousand and \$28 thousand respectively for three and six months ended June 30, 2022 is disclosed as general and administration expenses (three and six months ended June 30, 2021 - \$13 thousand and \$28 thousand respectively). As at June 30, 2022, the amount payable to SSCS was \$49 thousand (December 31, 2021 - \$23 thousand).

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The Company's Chief Ocean Scientist provides consulting services to the Company through Ocean Renaissance LLC ("Ocean Renaissance") where he is a principal. Consulting services during the three and six months ended June 30, 2022 amounted to \$94 thousand and \$188 thousand respectively (three and six months ended June 30, 2021 - \$94 thousand and \$188 thousand), evenly apportioned between exploration and evaluation expenses (Note 4) and general and administration expenses for three and six months ended June 30, 2022 and June 30, 2021. As at June 30, 2022, the amount payable to Ocean Renaissance was \$nil (December 31, 2021 - \$nil).

9. Commitments and Contingent Liabilities

NORI Exploration Contract

As part of the NORI Exploration Contract with the ISA, NORI submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. NORI had committed to spend \$5 million over the five-year period from 2017 to 2021, which it has exceeded. The periodic review report, which included a proposed work plan and estimated budget for 2022 to 2026, has been reviewed by and agreed with the ISA, and we are implementing the next five-year plan. NORI has estimated its work plan for 2022 and 2023 to be approximately \$40 million and \$25 million, respectively, which may be settled in cash or equity. The cost of the estimated work plan for 2024 onwards is contingent on the ISA's approval of the NORI Area D exploitation application. Should the approval of NORI's exploitation application for NORI Area D be delayed or rejected, NORI intends to revise its estimated future work plan in respect of its NORI Area. Work plans are reviewed annually by the Company, agreed with the ISA and may be subject to change depending on the Company's progress to date.

Marawa Exploration Contract

Through DGE's Marawa Option Agreement and Services Agreement with Marawa with respect to the Marawa Area, Marawa and DGE committed to spend a defined amount of funds on exploration activities on an annual basis. The commitment for fiscal 2022, 2023 and 2024 is Australian dollar ("AUD") \$1 million, AUD \$3 million and AUD \$2 million, respectively. Such commitment is negotiated with the ISA as part of a five-year plan submission and is subject to regular periodic reviews. To date, very limited offshore marine resource definition activities in the Marawa Contract Area have occurred and DGE expects to commit future resources as contractually agreed with Marawa to evaluate the future commercial viability of any project in such area. Marawa has not completed adequate exploration to establish the economic viability of any project in the Marawa Contract Area. Further work will need to be conducted in order to assess the viability of any potential project in the Marawa Contract Area and such work may take several years until such assessment can be made. Marawa has delayed certain of its efforts in the Marawa Contract Area while it determines how it will move forward with additional assessment work.

TOML Exploration Contract

As part of the TOML Exploration Contract, TOML submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. The periodic review report included a summary of work completed over the five-year period and a program of activities and estimated budget for the next five-year period. TOML had committed to spend \$30.0 million over the five-year period from 2017 to 2021. Such commitment has flexibility where the amount can be reduced by the ISA and such reduction would be dependent upon various factors including the success of the exploration programs and the availability of funding.

The Company has spent approximately \$13.3 million in connection with the TOML Exploration Contract from 2017 to 2021. Discussions with the ISA are underway to review the progress achieved to date and agree on program activities for the next 5-years, at which point the next five-year commitment will be finalized.

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Contingent Liability

On October 28, 2021, a shareholder filed a putative class action against the Company and certain of its executives in federal district court for the Eastern District of New York, styled *Caper v. TMC The Metals Company Inc. F/K/A Sustainable Opportunities Acquisition Corp., Gerard Barron and Scott Leonard*. The complaint alleges that all defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 10b-5 promulgated thereunder, and Messrs. Barron and Leonard violated Section 20(a) of the Exchange Act, by making false and/or misleading statements and/or failing to disclose information about the Company’s operations and prospects during the period from March 4, 2021 and October 5, 2021. On November 15, 2021, a second complaint containing substantially the same allegations was filed, captioned *Tran v. TMC the Metals Company, Inc.* These cases have been consolidated. On March 6, 2022, a lead plaintiff was selected. An amended complaint was filed on May 12, 2022, reflecting substantially similar allegations. The Company denies any allegations of wrongdoing and the Company has filed and served the plaintiff a motion to dismiss on July 12, 2022 and intends to defend against this lawsuit. There is no assurance, however, that the Company or the other defendants will be successful in their defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. If the motion to dismiss is unsuccessful, there is a possibility that the Company may incur a loss in this matter. Such losses or range of possible losses either cannot be reliably estimated. A resolution of this lawsuit adverse to the Company or the other defendants, however, could have a material effect on the Company’s financial position and results of operations in the period in which the lawsuit is resolved.

10. Segmented Information

The Company’s business consists of only one operating segment, namely exploration of seafloor polymetallic nodules, which includes the development of a metallurgical process to treat such seafloor polymetallic nodules.

11. Subsequent Events

On August 15, 2022, the Company announced a private placement financing with 25 accredited investors pursuant to three securities purchase agreements the Company entered into with the investors on August 12, 2022. The Company will issue an aggregate of 37,978,680 common shares to the investors at a price per share of \$0.80 (\$0.9645 with respect to approximately 100,000 of common shares purchased by the Company’s Chief Executive Officer and Chairman in the private placement financing). The Company expects to receive aggregate gross cash proceeds of approximately \$30.4 million this quarter from the private placement and net cash proceeds of approximately \$30 million, after deducting placement agent fees and offering expenses. The Company agreed to file a resale registration statement for the common shares issued to the investors in the financing with the SEC on or before September 16, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provide information which management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto for the year ended December 31, 2021 contained in our 2021 Annual Report on Form 10-K. This discussion contains forward looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Risk Factors" in Item 1A of Part I of the 2021 Annual Report on Form 10-K, as updated and supplemented under the caption "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q, as further updated and/or supplemented in subsequent filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references to "we", "us", "our", "TMC" and "the Company" are intended to mean the business and operations of TMC the metals company Inc. and its consolidated subsidiaries. The unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and 2021, respectively, present the financial position and results of operations of TMC the metals company Inc. and its consolidated subsidiaries.

Overview

We are a deep-sea minerals exploration company focused on the collection and processing of polymetallic nodules found on the seafloor in international waters of the Clarion Clipperton Zone ("CCZ"), about 1,300 nautical miles south-west of San Diego, California. The CCZ is a geological submarine fracture zone of abyssal plains and other formations in the Eastern Pacific Ocean, with a length of around 7,240 km (4,500 miles) that spans approximately 4,500,000 square kilometers (1,700,000 sq mi). Polymetallic nodules are discrete rocks that sit unattached to the seafloor, occur in significant quantities in the CCZ and have high concentrations of nickel, manganese, cobalt and copper in a single rock.

These four metals contained in the polymetallic nodules are critical for the transition to clean energy. Our resource definition work to date shows that nodules in our contract areas represent the world's largest estimated undeveloped source of critical battery metals. If we are able to collect polymetallic nodules from the seafloor on a commercial scale, we plan to use such nodules to produce three types of metal products: (i) feedstock for battery cathode precursors (nickel and cobalt sulfates) for electric vehicles ("EV") and renewable energy storage markets, (ii) nickel-copper-cobalt matte and/or copper cathode for EV wiring, clean energy transmission and other applications and (iii) manganese silicate for manganese alloy production required for steel production. Our mission is to build a carefully managed shared stock of metal (a "metals common") that can be used, recovered and reused for generations to come. Significant quantities of newly mined metal are required because existing metal stocks are insufficient to meet rapidly rising demand.

Exploration and exploitation of seabed minerals in international waters is regulated by the International Seabed Authority ("ISA"), an intergovernmental organization established pursuant to the 1994 Agreement Relating to the Implementation of the United Nations Convention on the Law of the Sea ("UNCLOS"). The ISA grants contracts to sovereign states or to private contractors who are sponsored by a sovereign state. The ISA requires that a contractor must obtain and maintain sponsorship by a host nation that is a member of the ISA and signatory to UNCLOS and such nation must maintain effective supervision and regulatory control over such sponsored contractor. The ISA has issued a total of 19 polymetallic nodule exploration contracts covering approximately 1.28 million km², or 0.4% of the global seafloor, 17 of which are in the CCZ. We hold exclusive exploration and commercial rights to three of the 17 polymetallic nodule contract areas in the CCZ through our subsidiaries Nauru Ocean Resources Inc. ("NORI") and Tonga Offshore Mining Limited ("TOML"), sponsored by the Republic of Nauru ("Nauru") and the Kingdom of Tonga ("Tonga"), respectively, and exclusive commercial rights through our subsidiary, DeepGreen Engineering Pte. Ltd.'s ("DGE"), arrangement with Marawa Research and Exploration Limited ("Marawa"), a company owned and sponsored by the Republic of Kiribati ("Kiribati").

We have key strategic alliances with (i) Allseas Group S.A. (“Allseas”), a leading global offshore contractor, which is developing a pilot collection system, which is expected to be modified into an initial smaller-scale commercial production system and serve as the basis for the design of a full-scale commercial production system and (ii) Glencore International AG (Glencore) which holds offtake rights on 50% of the NORI nickel and copper production. In addition, we have worked with an engineering firm Hatch Ltd. and consultants Kingston Process Metallurgy Inc. to develop a near-zero solid waste flowsheet. The pyrometallurgical stages of the flowsheet were tested as part of our pilot plant program at FLSmidth & Co. A/S’s and XPS Solutions’ (Glencore subsidiary) facilities and bench-scale hydrometallurgical refining work is being carried out with SGS SA. The near-zero solid waste flowsheet provides a design that is expected to serve as the basis for our onshore processing facilities. In March 2022, we entered into a non-binding memorandum of understanding with Epsilon Carbon Pvt, LTD. (“Epsilon Carbon”) in which Epsilon Carbon expressed its intent to conduct pre-feasibility work to potentially finance, engineer, permit, construct and operate a commercial polymetallic nodule processing plant in India. Together with Epsilon Carbon, we have recently selected a suitable plant site in India and developed and issued a Request for Proposal for Project Zero Pre-feasibility and Feasibility Study.

We are currently focused on applying for our first exploitation contract from the ISA on the NORI Area D contract area and, subject to regulatory review by the ISA, intend to start commercial production in 2024. To reach our objective, we are: (i) defining our resource and project economics, (ii) developing an offshore nodule collection system, (iii) assessing the ESG impacts of offshore nodule collection, and (iv) developing onshore technology to process collected polymetallic nodules into a manganese silicate product, and an intermediate nickel-copper-cobalt matte product and/or end-products like nickel and cobalt sulfates, and copper cathode.

We are still in the exploration phase and have not yet declared mineral reserves. We have yet to obtain exploitation contracts from the ISA to commence commercial scale polymetallic nodule collection in the CCZ and have yet to obtain the applicable environmental permits and other permits required to build and operate commercial scale polymetallic nodule processing and refining plants on land.

Developments in the Second Quarter 2022

Below are some of the major developments that occurred in the second quarter 2022:

Pilot Collection System Trials:

- **Atlantic Deepwater Trials:** In May 2022, the pilot collector vehicle underwent extensive testing of its various pumps and critical mobility functions in ultra-deep water in the Atlantic Ocean. Engineers successfully lowered the collector vehicle to depths of 2,470 meters and drove 1,018 meters across the seafloor, in advance of pilot trials in the NORI Area D in the CCZ expected in the second half of 2022.
- **Riser & Jumper Trials:** In May 2022, the pilot riser system and jumper hose was successfully deployed in the Atlantic Ocean. Engineers aboard the Hidden Gem deployed the flexible jumper hose, connected it to the base of the riser and then launched the pilot riser, lowering the assembly to a depth of around 650 meters before making a sub-sea connection between the jumper hose and collector vehicle in 745 meters water depth.

Onshore Processing:

- **SINTEF Manganese Study:** In May 2022, we announced that we had retained SINTEF, one of Europe’s leading independent research institutions, to analyze our manganese silicate product that can be used to produce silicomanganese alloy for steelmaking. SINTEF found that our high-grade nodule-derived manganese silicate, which we estimate could account for approximately one third of potential future revenues, behaves similarly to traditional land-based manganese sources and appears to have significant advantages on cost and carbon dioxide footprint, with the potential for 7 to 17% higher value-in-use, depending on carbon tax regimes.

Environmental, Social and Governance (ESG):

- **Impact Report 2021:** In May 2022, we published our inaugural Impact Report setting out our motivations for collecting nodules and providing a forward-looking view of the potential environmental impacts of our expected operations and the efforts underway to potentially eliminate or reduce them.
- **Independent Lifecycle Impact Assessment of NORI Area D Project:** In April 2022, we announced that we chose the leading lithium-ion battery supply chain research firm, Benchmark Mineral Intelligence (“Benchmark”), to conduct an independent lifecycle assessment of the environmental impacts of our planned NORI Area D polymetallic nodule project and compare these impacts to producing the same metals from commonly used production pathways using conventional land ores. Benchmark anticipates completing its comprehensive Lifecycle Impact Assessment for us by the end of the third quarter of 2022.

Developments Subsequent to June 30, 2022

- **Project Zero Research:** In July, our Australian subsidiary entered into a research funding agreement with a consortium of institutions led by Australia’s Commonwealth Scientific Industrial Research Organization (CSIRO) to create a framework for the development of an ecosystem-based Environmental Management and Monitoring Plan (EMMP) for our proposed deep-sea polymetallic nodule collection operations in the CCZ.
- **NORI Collector Test Environmental Impact Statement (EIS):** The Legal and Technical Commission (the “LTC”) reviewed the EIS submitted to the ISA as part of NORI’s program to undertake a test of the collector system during their July 2022 meeting and provided their comments to NORI on July 15, 2022. The LTC noted that while the generic framework and spatial components of the monitoring program described in the EMMP were good, the monitoring program lacked sufficient detail on the overall sampling design and integrated environmental monitoring specifications that the LTC needs to adequately evaluate the accuracy and statistical reliability of the EIS and the Monitoring Plan. As such, the LTC decided that it was unable to recommend to the Secretary-General of the Authority that the EIS be included in the program of activities of NORI until NORI provided more detail on its proposed survey design, the level of benthic sediment plume monitoring, pelagic sampling of biological impacts of the plume discharge, temporal issues of survey timing and duration, and the extent of noise monitoring. NORI submitted its responses to the LTC on July 29, 2022 and it is under review by the LTC. We continue to expect that the planned collector test in the CCZ will commence in the third quarter of 2022, as initially planned.
- **PIPE Financing:** On August 15, 2022, we announced a private placement financing with 25 accredited investors, pursuant to three securities purchase agreements the Company entered into with the investors on August 12, 2022. We will issue an aggregate of 37,978,680 common shares to the investors at a price per share of \$0.80 (\$0.9645 with respect to approximately \$100,000 of common shares purchased by our Chief Executive Officer and Chairman in the private placement financing). The Company expects to receive aggregate gross cash proceeds of approximately \$30.4 million this quarter from the private placement and net proceeds of approximately \$30 million, after deducting placement agent fees and offering expenses. The Company agreed to file a resale registration statement for the common shares issued to the investors in the financing with the SEC on or before September 16, 2022.

The Business Combination

On September 9, 2021, we completed the Business Combination with SOAC. The transaction resulted in the combined company being renamed “TMC the metals company Inc.” and the combined company’s common shares and warrants to purchase common shares commenced trading on the Nasdaq Global Select Market (“Nasdaq”) on September 10, 2021 under the symbols “TMC” and “TMCWW,” respectively. As a result of the Business Combination, we received gross proceeds of \$137.6 million (\$104.5 million net of transaction fees).

The Business Combination was accounted for as a reverse recapitalization and DeepGreen was deemed the accounting acquirer. Under this method of accounting, SOAC was treated as the acquired company for financial statement reporting purposes. The Business Combination was accounted for as a reverse acquisition with no goodwill or intangible assets being recorded. As SOAC had no operations, the net assets acquired were recorded at their historical cost. Adjustments related to the Business Combination including consideration paid to DeepGreen shareholders and any other adjustments to eliminate the historical equity of SOAC and recapitalize the equity of DeepGreen were recorded to common shares to reflect the effective issuance of common shares to SOAC and Private Investment in Public Equity investors in the Business Combination.

Following the Business Combination, we became the successor to an SEC-registered company, which resulted in us hiring additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices to ensure ongoing compliance with applicable law and Nasdaq listing requirements. We expect to incur additional annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees, additional internal and external accounting, legal and administrative resources, including increased personnel costs, audit and other professional service fees.

Exploration Contracts

We currently hold exclusive exploration rights to certain polymetallic nodule areas in the CCZ through our subsidiaries NORI and TOML, sponsored by Nauru and Tonga, respectively, and exclusive commercial rights through our subsidiary, DGE's, arrangement with Marawa, a company owned and sponsored by Kiribati.

NORI Exploration Contract

NORI, our wholly-owned subsidiary, was granted a polymetallic nodule exploration contract in the CCZ by the ISA on July 22, 2011 under the sponsorship of Nauru. This Exploration Contract provides NORI with exclusive rights to explore for polymetallic nodules in an area covering 74,830 km² in the CCZ ("NORI Area") for an initial term of 15 years (renewable for successive five-year periods) subject to complying with the exploration contract terms and provides NORI with the priority right to apply for an exploitation contract to collect polymetallic nodules in the same area.

Marawa Agreements

Marawa, an entity owned and sponsored by Kiribati, was granted the Marawa Exploration Contract on May 30, 2012. DGE, our wholly-owned subsidiary, entered into agreements with Marawa and Kiribati which provide DGE with exclusive exploration rights to an area covering 74,990 km² in the CCZ (the "Marawa Contract Area"). The exploration contract between Marawa and the ISA (the "Marawa Exploration Contract") was signed on January 19, 2015. To date, very limited offshore marine resource definition activities in the Marawa Contract Area have occurred and DGE expects to commit future resources as contractually agreed with Marawa to evaluate the future commercial viability of any project in such area. Marawa has not completed adequate exploration to establish the economic viability of any project in the Marawa Contract Area. Further work will need to be conducted in order to assess the viability of any potential project in the Marawa Contract Area and such work may take several years until such assessment can be made. Marawa has delayed certain of its efforts in the Marawa Contract Area while it determines how it will move forward with additional assessment work.

TOML Exploration Contract

TOML, our wholly-owned subsidiary, was granted an exploration contract on January 11, 2012 by the ISA and sponsored by the Kingdom of Tonga pursuant to the TOML Exploration Contract. TOML was acquired by us on March 31, 2020 for \$32 million from Deep Sea Mining Finance Ltd. ("DSMF"). The TOML Exploration Contract provides TOML with exclusive rights to explore for polymetallic nodules in an area covering 74,713 km² in the CCZ ("TOML Area") for an initial term of 15 years (renewable for successive five-year periods) subject to complying with the exploration contract terms and a priority right to apply for an exploitation contract to collect polymetallic nodules in the same area. On March 8, 2008, Tonga and TOML entered into a sponsorship agreement formalizing certain obligations of the parties in relation to TOML's exploration application to the ISA (subsequently granted) for the TOML Contract Area. The sponsorship agreement was updated on September 23, 2021.

Key Trends, Opportunities and Uncertainties

We are currently a pre-revenue company and we do not anticipate earning revenues until such time as NORI receives an exploitation contract from the ISA and we are able to successfully collect polymetallic nodules and process the nodules into saleable products on a commercial scale. We believe that our performance and future success pose risks and challenges, including those related to: finalization of ISA regulations to allow for commercial exploitation, approval of an application for the ISA exploitation contract, developing environmental regulations associated with our business and successful development of our technologies to collect and process polymetallic nodules. These risks, as well as other risks, are discussed in the section entitled “*Risk Factors*” in Item 1A of Part I of the 2021 Annual Report on Form 10-K, as updated and supplemented under the caption “*Risk Factors*” in Item 1A of Part II of this Quarterly Report on Form 10-Q, as further updated and/or supplemented in subsequent filings with the SEC.

Impact of Global Inflation

As a pre-revenue company, persistent inflation may affect our ultimate cash requirements prior to our ability to begin commercial production.

In 2022, the global inflation rate has risen sharply. Marine fuel prices and vessel day rates are higher year-over-year and have increased our exploration expenses beyond what we had originally expected. Additionally, we are experiencing higher offshore labor costs through our contractors due to an upturn in the offshore oil and gas market.

Impact of Climate Change

We are committed to adopting the Task Force on Climate-Related Financial Disclosures recommendations. In our first inaugural impact report published in May 2022, we provided climate-related disclosures and shared how we believe our mission is aligned with supporting a clean energy transition and contributing to a circular metals economy. We recognize that climate change may have a meaningful impact on our financial performance over time, and we have begun the process of consolidating key risks and corresponding action plans to mitigate their negative impact on climate change and create value.

Our climate related transition risks and opportunities are likely to be driven by changes in regulation, public policy, and technology, as disclosed in our 2021 Annual Report on Form 10-K.

COVID-19

During the second quarter of 2022, active work comprised the deep-water test of the collector system as well test deployment of the riser system and test connection of the jumper hose to the collector test all deployed by the *Hidden Gem*. These tests were all completed successfully without any COVID outbreaks given the pre-departure COVID protocols that Allseas implemented. At the end of the second quarter, the *Hidden Gem* was steaming from the Atlantic to the west coast of North America to commence mobilization for the collector test which is planned to commence in the third quarter 2022.

We continue to closely monitor the recent developments surrounding the continued spread and potential resurgence of COVID-19 from variants. The COVID-19 pandemic may have an adverse impact on our operations, particularly because of preventive and precautionary measures that our company, other businesses, and governments are taking. Refer to the section entitled “*Risk Factors*” in Item 1A of Part I of the 2021 Annual Report on Form 10-K, as updated and supplemented under the caption “*Risk Factors*” in Item 1A of Part II of this Quarterly Report on Form 10-Q, as further updated and/or supplemented in subsequent filings with the SEC for more information. We are unable to predict the full impact that the COVID-19 pandemic will have on our future results of operations, liquidity and financial condition due to numerous uncertainties, including the duration of the pandemic and the actions that may be taken by government authorities. However, COVID-19 is not expected to result in any significant changes to our business or our costs in the near term. We will continue to monitor the performance of our business and re-assess the impacts of COVID-19.

Restatement of Previously Issued Quarterly Financial Statements

As disclosed in our 2021 Annual Report on Form 10-K, we have restated our financial statements as of and for the three and six-months period ended June 30, 2021 in the accompanying unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

The restatement resulted from the following items:

- a) certain invoices for exploration expenses were not appropriately accrued as of June 30, 2021, resulting in a \$2.7 million understatement of each of exploration expenses and accounts payable and accrued liabilities as of and for the six-month period ended June 30, 2021; and
- b) our expensing of options granted in the first quarter of 2021 under the Company's Short-Term Incentive Plan ("STIP") based on the grantee's historical start date with us rather than the grant date of the options on March 4, 2021, as required by US Generally Accepted Accounting Principles ("US GAAP"), resulting in a \$1.8 million overstatement of stock-based compensation expenses as of and for the three-month period ended March 31, 2021, and \$0.3 million understatement and \$1.5 million overstatement of stock-based compensation expenses as of and for the six month period ended June 30, 2021, respectively.

Basis of Presentation

We currently conduct our business through one operating segment. As a pre-revenue company with no commercial operations, our activities to date have been limited. Our historical results are reported under U.S. GAAP and in U.S. dollars. All share and per share amounts have been adjusted to reflect the impact of the Business Combination.

Components of Results of Operations

We are an exploration-stage company with no revenue to date and a net loss of \$12.4 million and \$33.5 million for the three and six months ended June 30, 2022, respectively, compared to a net loss of \$29.1 million and \$84.9 million in the same periods of 2021, respectively. We have an accumulated deficit of approximately \$337.7 million from inception through June 30, 2022.

Our historical results may not be indicative of our future results for reasons that may be difficult to anticipate. Accordingly, the drivers of our future financial results, as well as the components of such results, may not be comparable to our historical or projected results of operations.

Revenue

To date, we have not generated any revenue. We do not expect to generate revenue until at least 2025 and only if NORI receives an exploitation contract from the ISA and we are able to successfully collect polymetallic nodules and process the nodules into saleable products on a commercial scale. Any revenue from initial production is difficult to predict.

Exploration and Evaluation Expenses

We expense all costs relating to exploration and development of mineral claims. Such exploration and development costs include, but are not limited to, ISA contract management, geological, geochemical and geophysical studies, environmental baseline studies, process development and payments to Allseas for the Pilot Mining Test System ("PMTS"). Our exploration expenses are impacted by the amount of exploration work conducted during each period. The acquisition cost of ISA polymetallic nodule exploration contracts will be charged to operations as amortization expense on a unit-of-production method based on proven and probable reserves should commercial production commence in the future.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist primarily of compensation for employees, consultants and directors, including share-based compensation, consulting fees, investor relations expenses, expenses related to advertising and marketing functions, insurance costs, office and sundry expenses, professional fees (including legal, audit and tax fees), travel expenses and transfer and filing fees.

Share-based compensation costs from the issuance of stock options and restricted share units (“RSUs”) is measured at the grant date based on the fair value of the award and is recognized over the related service period. Share-based compensation costs are charged to exploration expenses and general and administrative expenses depending on the function fulfilled by the holder of the award. In instances where an award is issued for financing related services, the costs are included within equity as part of the financing costs. We recognize forfeiture of any awards as they occur.

Interest Income/Expense

Interest expense in the first half of 2021 resulted from our financing transactions, specifically the convertible debentures issued in February 2021, which accrued interest at 7% per annum. The convertible debentures were fully converted into DeepGreen common shares on September 9, 2021. Interest income recorded in the first half of 2022 resulted from the interest earned on the funds we received from the Business Combination which closed in September 2021.

Foreign Exchange Loss

The foreign exchange income or loss for the periods reported primarily relates to our cash held in Canadian dollars and to the settlement of costs incurred in foreign currencies, depending on either the strengthening or weakening of the U.S. dollar.

Change in Fair Value of Warrants Liability

The change in fair value of warrants liability primarily consists of the change in the fair value of the 9,500,000 warrants issued to Sustainable Opportunities Holdings LLC concurrently with SOAC’s initial public offering (the “Private Warrants”). For accounting purposes, the Company was considered to have issued the Private Warrants as part of the Business Combination, and we are required to re-measure the fair value of our Private Warrants at the end of each reporting period.

Results of Operations

DeepGreen was determined to be the accounting acquirer and therefore, all information prior to the Business Combination, including the prior period financial information, represent the financial condition and operating results of DeepGreen.

The following is a discussion of our results of operations for the three and six months ended June 30, 2022 and 2021. Our accounting policies are described in Note 3 “Summary of Significant Accounting Policies” in our financial statements filed as part of the 2021 Annual Report on Form 10-K.

Comparison of the Three and Six Months Ended June 30, 2022 and 2021

(Dollar amounts in thousands, except as noted)	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2022	2021 (Restated)	% Change	2022	2021 (Restated)	% Change
Exploration and evaluation expenses	\$ 9,985	\$ 18,226	(45)%	\$ 17,328	\$ 56,333	(67)%
General and administrative expenses	8,343	10,440	(20)%	16,907	27,804	(39)%
Change in fair value of warrants liability	(5,730)	—	N/A	(542)	—	N/A
Foreign exchange loss (gain)	(22)	33	(167)%	—	52	(100)%
Interest expense (income)	(192)	441	(144)%	(192)	661	(129)%
Loss for the period	<u>\$ 12,384</u>	<u>\$ 29,140</u>	<u>(58)%</u>	<u>\$ 33,501</u>	<u>\$ 84,850</u>	<u>(61)%</u>

Three Months ended June 30, 2022 compared to Three Months ended June 30, 2021

We reported a net loss of \$12.4 million in the second quarter of 2022, compared to \$29.1 million in the same period of 2021. The following explains the major reasons for the reduction in the net loss in the second quarter 2022.

Exploration and Evaluation Expenses

Exploration and evaluation expenses for the three months ended June 30, 2022 were \$10.0 million, compared to \$18.2 million for the same period in 2021. The decrease of \$8.2 million was primarily due a decrease in offshore campaign costs of \$4.5 million, due to the completion of the NORI Area D baseline campaigns in the fourth quarter of 2021 and a reduction in share-based compensation of \$6.5 million in the 2022 period, as the cost of the LTIP options with vesting condition of \$3 billion market capitalization was completely amortized in 2021 in addition to the decrease in the amortization cost of STIP sign-up options granted in 2021 offset by the increase amortization cost of the RSUs issued to employees and contractors in 2022. Work on the PMTS progressed in the second quarter of 2022 resulting in increased PMTS expenses of \$1.3 million, which partially offset the above expense reductions.

General and Administrative Expenses

G&A expenses for the three months ended June 30, 2022 were \$8.3 million compared to \$10.4 million for the same period in 2021. The decrease of \$2.1 million in G&A expenses was mainly the result of lower share-based compensation in the 2022 period as the cost of the LTIP options with vesting condition of \$3 billion market capitalization was completely amortized in 2021 in addition to the decrease in the amortization cost of STIP sign-up options granted in 2021 offset by the increase amortization cost of the RSUs issued to employees and contractors in 2022. This decrease was partially offset by higher G&A expenses in the second quarter of 2022, reflecting an increase in personnel, legal and other expenses associated with being a public company.

Change in Fair Value of Warrants Liability

The change in fair value of warrants liability during the second quarter of 2022 resulted in a credit of \$5.7 million. The credit was primarily due to a 67% decrease in the price of our warrants in the second quarter of 2022. The warrants liability was initially recorded as part of the Business Combination and therefore did not exist in the prior year.

Six Months ended June 30, 2022 compared to Six Months ended June 30, 2021

We reported a net loss of \$33.5 million in the first half of 2022, compared to \$84.9 million in the same period of 2021. The following explains the major reasons for the reduction in the net loss in the first half of 2022.

Exploration and Evaluation Expenses

Exploration and evaluation expenses for the six months ended June 30, 2022 were \$17.3 million, compared to \$56.3 million for the same period in 2021. The decrease of \$39 million was primarily due to a decrease in offshore campaign costs of \$20.9 million, due to the completion of the NORI Area D baseline campaigns in the fourth quarter of 2021. The first half of 2021 offshore campaign costs included a fair value increase of \$12.2 million that was recognized on the issuance of DeepGreen common shares to Maersk Supply Service A/S (“Maersk”). The decrease in the first half of 2022 also reflects a reduction in share-based compensation of \$21.7 million, as a significant number of stock options were awarded in March 2021, in recognition of past services and in anticipation of the Business Combination, while no stock options were awarded in the first half of 2022. Work on the PMTS progressed in the first half of 2022 resulting in increased PMTS expenses of \$2.6 million, which partially offset the above expense reductions.

General and Administrative Expenses

G&A expenses for the six months ended June 30, 2022 were \$16.9 million compared to \$27.8 million for the same period in 2021. The decrease of \$10.9 million in G&A expenses in the first half of 2022 was mainly the result of lower share-based compensation in the 2022 period as the first half of 2021 included the award of a significant number of stock options in recognition of past services and in anticipation of the Business Combination. This decrease was partially offset by higher G&A expenses in the first half of 2022, reflecting an increase in personnel, legal and other expenses associated with being a public company.

Change in Fair Value of Warrants Liability

The change in fair value of warrants liability during the first half of 2022 resulted in a credit of \$0.5 million. The credit was primarily due to a 28% decrease in the price of our warrants in the first half of 2022. The warrants liability was initially recorded as part of the Business Combination and therefore did not exist in the prior year.

Liquidity and Capital Resources

Prior to closing of the Business Combination, our primary sources of capital have been private placements of DeepGreen common shares and DeepGreen preferred shares and the issuance of convertible debentures completed in February 2021, which were automatically converted into DeepGreen common shares immediately prior to the completion of the Business Combination. In addition, on September 9, 2021, we completed the Business Combination with SOAC, and as a result we received gross proceeds of \$137.6 million (\$104.5 million net of transaction fees). As of June 30, 2022, we had cash on hand of \$46.3 million.

We received lower than expected cash proceeds upon closing of the Business Combination resulting from higher-than-expected redemptions of SOAC's Class A ordinary shares and the default by certain PIPE investors in their funding obligations in connection with the closing of the Business Combination. As a result, we revised our work plan to focus on activities necessary to have an application ready for submission to the ISA in the second half of 2023 for an exploitation contract for the NORI Area D and stopped and/or deferred work and expenses associated with other activities.

In light of the significant deficit in expected funding following the closing of the Business Combination in September 2021, we adopted what we call a "capital-light" strategy whereby we removed any allocation of funds to capital expenditures that were not deemed necessary to support the submission of an application for an exploitation contract for the NORI Area D, and by negotiating the settlement of program expenditures with our equity whenever possible.

We have yet to generate any revenue from our business operations. We are an exploration-stage company and the recovery of our investment in mineral exploration contracts and attainment of profitable operations is dependent upon many factors including, among other things, the development of a production system for collecting polymetallic nodules from the seafloor as well as the development of our processing technology for the metallurgical treatment of such nodules, the establishment of mineable reserves, the demonstration of commercial and technical feasibility of seafloor polymetallic nodule collection and processing systems, metal prices, and securing ISA exploitation contracts. While we have obtained financing in the past, there is no assurance that such financing will continue to be available on favorable terms, if at all.

We expect to incur significant expenses and operating losses for the foreseeable future, particularly as we advance towards our application to the ISA for an exploitation contract and preparation for potential commercialization. Based on our cash balance, including the expected proceeds from the financing we announced in August 2022, we believe we will have sufficient funds to meet our obligations that become due within the next twelve months. Our estimates used in reaching this conclusion are based on information available as at the date of filing this Quarterly Report on Form 10-Q. Accordingly, actual results could differ from these estimates and resulting variances may result and we may need cash resources in this period in addition to the recently announced financing due to changes in business conditions or other developments, including, but not limited to, deferral of approvals, capital and operating cost escalation, currently unrecognized technical and development challenges, our ability to pay certain vendors or suppliers in our common shares or changes in external business environment.

In addition, we will need and expect to seek additional financing to fund our operations beyond the next twelve months and to reach potential commercial production through additional public or private equity, debt financings, equity-linked financings or other sources, including through non-dilutive asset- or project-based financings. If these financing or other financing sources are not available, or if the terms of financing are less desirable than we expect, we may be forced to delay our exploration and/or exploitation activities or scale back our operations, which could have a material adverse impact on our business and financial prospects.

We may receive up to approximately \$281.8 million in aggregate gross proceeds from cash exercises of the Public Warrants and the Private Warrants, based on the per share exercise price of such warrants. However, the exercise price for the outstanding Public Warrants and Private Warrants is \$11.50 per common share and there can be no assurance that such warrants will be in the money prior to their expiration, and as such, such warrants may expire worthless. Based on the current trading price of our common shares we do not expect to receive any proceeds from exercise of the Public Warrants and Private Warrants unless there is a significant increase in the price of our common shares. In certain circumstances, the Public Warrants and Private Warrants may be exercised on a cashless basis and the proceeds from the exercise of such warrants will decrease. Furthermore, even if the warrants will be in the money, the holders of the warrants are not obligated to exercise their warrants, and we cannot predict whether holders of the warrants will choose to exercise all or any of their warrants.

Cash Flows Summary

Comparison of the Three and Six Months Ended June 30, 2022 and June 30, 2021

Presented below is a summary of our operating, investing and financing cash flows:

(thousands)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021 Restated	2022	2021 Restated
Net cash (used in) operating activities	\$ (22,594)	\$ (7,885)	\$ (38,123)	\$ (17,945)
Net cash (used in) investing activities	\$ (242)	\$ (1,652)	\$ (452)	\$ (3,842)
Net cash (used in) provided by financing activities	\$ 68	\$ 1,186	\$ (10)	\$ 28,563
(Decrease) increase in cash	<u>\$ (22,768)</u>	<u>\$ (8,351)</u>	<u>\$ (38,585)</u>	<u>\$ 6,776</u>

Six Months ended June 30, 2022 compared to Six Months ended June 30, 2021

Cash flows used in Operating Activities

Net cash used in operating activities for the six months ended June 30, 2022 was \$38.1 million, attributable to a net loss of \$33.5 million and an increase in net operating assets and liabilities of \$17.0 million, partially offset by non-cash adjustments of \$12.4 million. Non-cash adjustments primarily consisted of \$12.7 million of expenses settled with share-based payments, partially offset by \$0.5 million related to the decrease in the fair value of the Private Warrants, mainly as a result of the decrease in our share price during the first half of 2022. The increase in our net operating assets and liabilities was primarily due to a \$15.9 million decrease in accounts payable and accrued liabilities in the 2022 period due to the timing of supplier payments.

Cash flows used in Investing Activities

Net cash used in investing activities for the six months ended June 30, 2022 was \$0.3 million for the purchase of equipment, as compared to \$3.8 million in the first half of 2021, which related to the initial payments made to DSMF in connection with our acquisition of TOML in 2020.

Cash flows (used in) provided by Financing Activities

Net cash used in financing activities for the six months ended June 30, 2022 was nil, compared to \$28.6 million provided by financing activities in the first half of 2021, which consisted of \$26.0 million from the issuance of convertible debentures in February 2021 and \$2.6 million from the exercise of incentive stock options.

PIPE Financing

On August 15, 2022, we announced a private placement financing with 25 accredited investors, including our Chief Executive Officer and Chairman Gerard Barron and ERAS Capital LLC, which is the investment fund of our director Andrei Karkar. Pursuant to three securities purchase agreements we entered into on August 12, 2022, we will issue an aggregate of 37,978,680 common shares to the investors at a price per share of \$0.80 (\$0.9645 with respect to approximately \$100,000 of common shares purchased by our Chief Executive Officer and Chairman in the private placement financing, which was the consolidated closing bid price of the common shares on August 11, 2022). The Company expects to receive aggregate gross cash proceeds of approximately \$30.4 million from the private placement this quarter and net cash proceeds of approximately \$30 million, after deducting placement agent fees and offering expenses. The Company agreed to file a resale registration statement for the common shares issued to the investors in the financing with the SEC on or before September 16, 2022.

Contractual Obligations and Commitments

NORI Exploration Contract

As part of the NORI Exploration Contract with the ISA, NORI submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. The periodic review report included a summary of work completed over the previous 5-year period (2017 to 2021) and a work plan and estimated budget for the next five-year period (2022 to 2026). NORI had committed to spend approximately \$5 million to deliver on its intended work plan from 2017 to 2021, which it has significantly exceeded. The periodic review report, which included a proposed work plan and estimated budget for 2022 to 2026, has been reviewed by and agreed with the ISA, and we are implementing the next five-year plan. NORI has estimated its work plan for 2022 and 2023 to be approximately \$40 million and \$25 million, respectively, which may be settled in cash or through the issuance of the Company's shares. The cost of the estimated work plan for 2024 onwards is contingent on the ISA's approval of the NORI Area D exploitation application. Should the approval of NORI's exploitation application for NORI Area D be delayed or rejected, NORI intends to revise its estimated future work plan in respect of its NORI Area. Work plans are reviewed annually by the Company, agreed with the ISA and may be subject to change depending on our progress to date.

Marawa Option Agreement and Services Agreement

Through DGE's Marawa Option Agreement and Services Agreement with Marawa with respect to the Marawa Area, DGE committed to spend a defined amount of funds on exploration activities on an annual basis. The commitment for fiscal 2022, 2023 and 2024 is AUD \$1 million, AUD \$3 million and AUD \$2 million, respectively. Such commitment is negotiated between Marawa and the ISA as part of a five-year plan submission and is subject to regular periodic reviews. To date, very limited offshore marine resource definition activities in the Marawa Contract Area have occurred and DGE expects to commit future resources as contractually agreed with Marawa to evaluate the future commercial viability of any project in such area. Marawa has not completed adequate exploration to establish the economic viability of any project in the Marawa Contract Area. Further work will need to be conducted in order to assess the viability of any potential project in the Marawa Contract Area and such work may take several years until such assessment can be made. Marawa has delayed certain of its efforts in the Marawa Contract Area while it determines how it will move forward with additional assessment work.

TOML Exploration Contract

As part of the TOML Exploration Contract, TOML submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. The periodic review report included a summary of work completed over the five-year period and a program of activities and estimated budget for the next five-year period. TOML had committed to spend \$30.0 million over the five-year period from 2017 to 2021. Such commitment has flexibility where the amount can be reduced by the ISA and such reduction would be dependent upon various factors including the success of the exploration programs and the availability of funding. The ISA is currently reviewing the periodic report, which includes the next 5-year program of work, at which point the next five-year commitment will be finalized.

Regulatory Obligations Relating to Exploration Contracts

Each of TOML and NORI require sponsorship from their host sponsoring nations, Tonga and Nauru, respectively. Each company has been registered and incorporated within the applicable host nation's jurisdiction. The ISA requires that a contractor must obtain and maintain sponsorship by a host nation that is a member of the ISA and such nation must maintain effective supervision and regulatory control over such sponsored contractor. Each of TOML and NORI is subject to the registration and incorporation requirements of these nations. In the event the sponsorship is otherwise terminated, such subsidiary will be required to obtain new sponsorship from another nation that is a member of the ISA. Failure to obtain such new sponsorship would have a material impact on the operations of such subsidiary and us.

Sponsorship Agreements

On July 5, 2017, Nauru, the Nauru Seabed Minerals Authority and NORI entered into the NORI Sponsorship Agreement formalizing certain obligations of the parties in relation to NORI's exploration and potential exploitation of the NORI Area. Upon reaching the minimum recovery level within the exploitation contract area, NORI will pay Nauru a seabed mineral recovery payment based on the polymetallic nodules recovered from the exploitation contract area. In addition, NORI will pay an administration fee each year to Nauru for such administration and sponsorship, which is subject to review and increase in the event NORI is granted an ISA exploitation contract.

On March 8, 2008, Tonga and TOML entered into the TOML Sponsorship Agreement formalizing certain obligations of the parties in relation to TOML's exploration and potential exploitation of the TOML Area. Upon reaching the minimum recovery level within the exploitation contract area, TOML has agreed to pay Tonga a seabed mineral recovery payment based on the polymetallic nodules recovered from the exploitation contract area. In addition, TOML will pay an administration fee each year to Tonga for such administration and sponsorship, which is subject to review and increase in the event TOML is granted an ISA exploitation contract. On September 23, 2021, Tonga updated the TOML Sponsorship Agreement harmonizing the terms of its engagement with TOML with those held by NORI with Nauru.

Allseas Agreements

On March 29, 2019, we entered into a strategic alliance with Allseas to develop a system to collect, lift and transport nodules from the seafloor to shore and agreed to enter into a nodule collection and shipping agreement whereby Allseas would provide commercial services for the collection of the first 200 million metric tonnes of polymetallic nodules on a cost plus 50% profit basis. In furtherance of this agreement, on July 8, 2019, we entered into a Pilot Mining Test Agreement with Allseas ("PMTA"), which was amended on three occasions in 2020 and 2021, to develop and deploy a PMTS, successful completion of which is a prerequisite for our application for an exploitation contract with the ISA. Under the PMTA, Allseas agreed to cover the development cost of the project in exchange for a payment from us upon successful completion of the pilot trial of the PMTS in NORI Area D.

On March 16, 2022, NORI and Allseas entered into a non-binding term sheet for the development and operation of a commercial nodule collection system. The pilot nodule collection system developed and currently being tested by Allseas is expected to be upgraded to a commercial system with a targeted production capacity of 1.3 million tonnes of wet nodules per year with expected production readiness by the fourth quarter of 2024. NORI and Allseas intend to equally finance all costs related to developing and getting the first commercial system. Once in production, NORI expects to pay Allseas a nodule collection and transshipment fee estimated at approximately EUR 150 per wet tonne in the first year of operations and expected to be reduced as Allseas scales up production to 1.3 million wet tonnes per year. The parties intend to further detail and revise these cost estimates in the definitive agreement contemplated by the non-binding term sheet, which the parties expect to enter into no later than December 31, 2022 following the completion of the planned pilot collection tests. Subject to the necessary regulatory approvals Allseas and NORI also intend to investigate acquiring a second production vessel similar to the Hidden Gem, a Samsung 10000, with the potential for it to be engineered to support a higher production rate of three million tonnes of wet nodules. There can be no assurances, however, that we will enter into definitive agreements with Allseas contemplated by the non-binding term sheet in a particular time period, or at all, or on terms similar to those set forth in the non-binding term sheet, or that if such definitive agreements are entered into by us that the proposed commercial systems and second production vessel will be successfully developed or operated in a particular time period, or at all.

Through December 31, 2021, we have made the following payments to Allseas under the PMTA: (a) \$10 million in cash in February 2020, (b) \$10 million through the issuance of 3.2 million common shares valued at \$3.11 per share in February 2020, (c) issued Allseas warrants to purchase 11.6 million common shares at a nominal exercise price per share in March 2021 and (d) \$10 million in cash in October 2021, following the closing of the Business Combination and meeting certain progress targets on the PMTS.

We made the second \$10 million payment to Allseas under the PMTA on April 25, 2022, following the successful completion of the North Sea drive test. The third and final \$10 million payment to Allseas will be due upon successful completion of the pilot trial of the PMTS in NORI Area D which is expected in the fourth quarter of 2022.

Offtake Agreement

On May 25, 2012, DGE and Glencore International AG (“Glencore”) entered into a copper offtake agreement and a nickel offtake agreement. DGE has agreed to deliver to Glencore 50% of the annual quantity of copper and nickel produced by a DGE-owned facility from nodules derived from the NORI Area at London Metal Exchange referenced market pricing with allowances for product quality and delivery location. Either party may terminate the agreement upon a material breach or insolvency of the other party. Glencore may also terminate the agreement by giving twelve months’ notice.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our condensed consolidated interim financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated interim financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of these statements, as well as expenses incurred during the reporting periods. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Except as described in Note 3 to our condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our 2021 Annual Report on Form 10-K.

Recent Accounting Pronouncements

See Note 3 to the condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q for more information about recent accounting pronouncements, the timing of their adoption, and our assessment, to the extent we have made one, of their potential impact on our financial condition and our results of operations and cash flows.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart Our Business Startups (“JOBS”) Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an “emerging growth company” as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. Following the closing of the Business Combination, we expect to remain an emerging growth company through at least the end of the 2022 fiscal year and we expect to continue to take advantage of the benefits of the extended transition period at least to the end of the 2022 fiscal year, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Cautionary Statements Regarding the NORI Initial Assessment and TOML Mineral Resource Statement

We have estimated the size and quality of our resource in the NORI and TOML Areas, as described below, in our SEC Regulation S-K (subpart 1300) compliant Technical Report Summary - Initial Assessment, of the NORI Property, Clarion-Clipperton Zone, Pacific Ocean dated March 17, 2021 (“NORI Initial Assessment”) and Technical Report Summary - TOML Mineral Resource, Clarion-Clipperton Zone, Pacific Ocean dated March 26, 2021 (“TOML Mineral Resource Statement”), respectively, prepared by AMC Consultants Ltd. (“AMC”). We plan to continue to estimate our resource in the NORI and TOML Areas and develop the project economics. The initial assessment included in the NORI Initial Assessment Report is a conceptual study of the potential viability of mineral resources in NORI Area D. This initial assessment indicates that development of the mineral resource in NORI Area D is potentially technically and economically viable; however, due to the preliminary nature of project planning and design, and the untested nature of the specific seafloor production systems at a commercial scale, economic viability has not yet been demonstrated.

The NORI Initial Assessment and TOML Mineral Resource Statement do not include the conversion of mineral resources to mineral reserves.

As used in this Quarterly Report on Form 10-Q or in the applicable report summary, the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource” and “inferred mineral resource”, as applicable, are defined and used in accordance with the SEC Mining Rules.

You are specifically cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves, as defined by the SEC. You are also cautioned that mineral resources do not have demonstrated economic value. Information concerning our mineral properties in the NORI and TOML Technical Report Summaries and in this Quarterly Report on Form 10-Q includes information that has been prepared in accordance with the requirements of the SEC Mining Rules forth in subpart 1300 of Regulation S-K. Under SEC standards, mineralization, such as mineral resources, may not be classified as a “reserve” unless the determination has been made that the mineralization would be economically and legally produced or extracted at the time of the reserve determination. Inferred mineral resources have a high degree of uncertainty as to their existence and to whether they can be economically or legally commercialized. Under the SEC Mining Rules, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. A significant amount of exploration must be completed in order to determine whether an inferred mineral resource may be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally commercialized, or that it will ever be upgraded to a higher category. Approximately 97% of the NORI Area D resource is categorized as measured or indicated.

Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of markets and other risks including the effects of change in interest rates, inflation and foreign currency translation and transaction risks, as well as risks to the availability of funding sources, hazard events, specific asset risks, regulatory risks, public policy risks and technology risks. We also expect to be exposed to commodity risks if and when we commence commercial production.

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that the fair value of our future cash flows and our financial instruments will fluctuate because of changes in market interest rates.

Our current practice is to invest excess cash in investment-grade short-term deposit certificates issued by reputable Canadian financial institutions with which we keep our bank accounts and management believes the risk of loss to be remote. We periodically monitor the investments we make and are satisfied with the credit ratings of our banks.

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. Our receivables consist primarily of general sales tax due from the Federal Government of Canada and as a result, the risk of default is considered to be low. Once we commence commercial production, we expect our credit risk to rise with our increased customer base.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates to our transactions in foreign currencies, primarily in the Canadian dollar, the Australian dollar, and the Great British Pound. We primarily hold our cash in U.S. dollars and settle our foreign currency payables soon after the receipt of invoices thereby minimizing the foreign currency exposure.

Once we commence commercial production, we expect to be exposed to both currency transaction and translation risk. To date, we have not had material exposure to foreign currency fluctuations and have not hedged such exposure, although we may do so in the future.

Commodity Price Risk

We expect to engage in the collection, transport, processing and sale of products containing nickel, copper, manganese and cobalt from the polymetallic nodules collected from our contract areas of the CCZ. Accordingly, we expect the principal source of future revenue to be the sale of products containing nickel, copper, manganese and cobalt. A significant and sustained decrease in the price of these metals from current levels could have a material and negative impact on our business, financial condition and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that, solely due to (i) the Company's restatement of its financial statements to reclassify the Company's warrants as described below and in Amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020 filed with the SEC on May 24, 2021 (the "2020 Annual Report on Form 10-K/A") and (ii) the other material weakness described below that we are in the process of remediating, our disclosure controls and procedures were not effective as of June 30, 2022.

Material Weaknesses in Internal Control over Financial Reporting

In 2021, we identified two material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of DeepGreen's financial statement for the years ended December 31, 2020 and 2019 and three months ended March 31, 2021 that were included in the proxy statement/prospectus filed with the SEC on August 13, 2021, as well as the financial statements for the six months ended June 30, 2021 that were included in our Current Report on Form 8-K, as amended, filed with the SEC on September 15, 2021, we identified a material weakness in our internal control over financial reporting as of December 31, 2020, March 31, 2021 and June 30, 2021 which related to deficiencies in the design and operation of the financial statement close and reporting controls, including maintaining sufficient written policies and procedures and the need to use appropriate technical expertise when accounting for complex or non-routine transactions. In the process of preparing the Company's third quarter 2021 financial statements, management discovered misstatements related to the understatement of exploration expense and overstatement of stock option expenses related to the three-month period ended March 31, 2021 and six-month period ended June 30, 2021. For further detail regarding the restatement, see Part II, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Restatement of Previously Issued Quarterly Financial Statements" and Part II, Item 4 "Controls and Procedures" included in the Quarterly Report on Form 10-Q filed with the SEC on November 15, 2021. These misstatements resulted in the Company having to restate its unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 and six months ended June 30, 2021. Our management has concluded that this material weakness was due to the fact that, prior to the Business Combination, we were a private company with limited resources.

In addition, as previously disclosed in the 2020 Annual Report on Form 10-K/A, we identified a material weakness in our internal controls over financial reporting related to inaccurate accounting for the Public Warrants and Private Warrants issued in connection with our initial public offering. Management identified this error when the staff of the SEC issued a Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs") dated April 12, 2021 (the "SEC Staff Statement"). The SEC Staff Statement addresses certain accounting and reporting considerations related to warrants of a kind similar to those we issued in connection with our initial public offering in May 2020. This control deficiency resulted in the Company having to restate its audited consolidated financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 2020 and if not remediated, could result in a material misstatement to future annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Notwithstanding these material weaknesses, management has concluded that our unaudited condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with U.S. GAAP for each of the periods presented therein.

Plan for Remediation of the Material Weaknesses in Internal Control over Financial Reporting

We have taken the following remediation measures to date:

- appointed a Chief Financial Officer to oversee the finance and accounting function;

- hired individuals for the core accounting function with the requisite education, designation, and technical accounting and public company experience;
- completed the transition from our outsourced accounting service provider to our in-house finance and accounting function;
- evaluated the accounting impacts of all new contracts and arrangements through a detailed analysis against accounting standards and technical interpretations;
- performed a thorough analysis of key issues to be addressed, have prioritized these issues and we are now in the process of addressing these issues;
- began a project to design and implement robust controls over all our key processes and address all key company risks; and
- added formality and rigor to our financial reporting process by continuously developing structured roles, policies, processes, procedures and controls.

In response to the material weaknesses, our management has expended, and will continue to expend, a substantial amount of effort and resources to improve the internal controls environment, particularly those over financial reporting. Our remediation plan can only be accomplished over time and will be continually reviewed to determine that it is achieving its objectives. The material weaknesses will not be considered remediated until sufficient time has elapsed to provide sufficient sample evidence that the newly designed and implemented controls are operating effectively. This is no assurance that these initiatives will ultimately have the intended effects.

Changes in Internal Control over Financial Reporting

Other than the changes made to begin to remediate the material weaknesses described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal controls that occurred during the three and six months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Except as set forth below, we are not currently a party to any material legal proceedings.

On September 20, 2021, we commenced litigation in the New York Superior Court, New York County against two investors who failed to fund their commitments pursuant to subscription agreements entered into in connection with the expected private placement in connection with the closing of the Business Combination. These actions are captioned *Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ethos Fund I, LP, Ethos GP, LLC, Ethos DeepGreen PIPE, LLC, and Ethos Manager, LLC*, Index No. 655527/2021 (N.Y. Sup. Ct.) and *Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ramas Capital Management, LLC, Ramas Energy Opportunities I, LP, Ramas Energy Opportunities I GP, LLC, and Ganesh Betanabhatla*, Index No. 655528/2021 (N.Y. Sup. Ct.). The operative complaints allege that the investors breached the relevant subscription agreement and that the investors' affiliates tortiously interfered with the subscription agreements by causing the investor not to fund its contractual obligations. We are seeking compensatory damages (plus interest), expenses, costs, and attorneys' fees. There can be no assurances, however, that we will be successful in our efforts against these investors.

On October 28, 2021, a shareholder filed a putative class action against us and certain of our executives in federal district court for the Eastern District of New York, styled *Caper v. TMC The Metals Company Inc. F/K/A Sustainable Opportunities Acquisition Corp., Gerard Barron and Scott Leonard*. The complaint alleges that all defendants violated Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and Messrs. Barron and Leonard violated Section 20(a) of the Exchange Act, by making false and/or misleading statements and/or failing to disclose information about our operations and prospects during the period from March 4, 2021 and October 5, 2021. On November 15, 2021, a second complaint containing substantially the same allegations was filed, captioned *Tran v. TMC the Metals Company, Inc.* These cases have been consolidated. On March 6, 2022, a lead plaintiff was selected. An amended complaint was filed on May 12, 2022, reflecting substantially similar allegations. We deny any allegations of wrongdoing and have filed and served the plaintiff a motion to dismiss on July 12, 2022 and intend to defend against this lawsuit. There is no assurance, however, that we or the other defendants will be successful in our defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. If the motion to dismiss is unsuccessful, there is a possibility that we may incur a loss in this matter. Such losses or range of possible losses either cannot be reliably estimated. A resolution of this lawsuit adverse to us or the other defendants, however, could have a material effect on our financial position and results of operations in the period in which the lawsuit is resolved.

ITEM 1A. RISK FACTORS.

You should carefully review and consider the information regarding certain factors that could materially affect our business, consolidated financial condition or results of operations set forth under Item 1A. Risk Factors in our 2021 Annual Report on Form 10-K. There have been no material changes from or additions to the risk factors disclosed in our 2021 Annual Report on Form 10-K, other than with respect to the risk factors set forth below. We may disclose changes to risk factors or additional factors from time to time in our future filings with the SEC.

Our business is capital intensive, and we will be required to raise additional funds in the future in order to accomplish our objectives. This additional financing may not be available on acceptable terms or at all. Failure to obtain this necessary capital when needed may force us to reduce or terminate our operations.

In light of the significant deficit in expected funding following the closing of the Business Combination in September 2021, we adopted what we call a “capital-light” strategy whereby we removed any allocation of funds to capital expenditures that were not deemed necessary to support the submission of an application for an exploitation contract for the NORI Area D, and by negotiating the settlement of program expenditures with our equity whenever possible in order to preserve our capital. We expect to incur significant expenses and operating losses for the foreseeable future, particularly as we advance towards our application to the ISA for an exploitation contract and preparation for potential commercialization. The continuing exploration and development of the NORI, TOML and Marawa contract areas, however, will depend upon our ability to obtain dilutive and/or non-dilutive financing through debt financing, equity financing, joint ventures, or other means. Additionally, the actual amount of capital raised for our projects may vary materially from our current estimates. Although based on our cash balance, including the expected proceeds from the financing we announced in August 2022, we believe we will have sufficient funds to meet our obligations that become due within the next twelve months. If we do not receive the full amount of the expected proceeds from the financing we announced in August 2022, we may not be able to fund our operations for this period and we may need to raise additional funds sooner than expected, which could have an adverse effect on our business and an investment in our company. Even with the financing we announced in August 2022, we currently expect that we will raise additional funds to finance our operations to potential commercialization. There is no assurance that we will be successful in obtaining the required financing for these or other purposes, including for general working capital, or that any funds raised will be sufficient for the purposes contemplated. We will not initially have any producing properties and will have no source of significant operating cash flow until 2024 at the earliest. There is no precedent for projects like ours, and therefore, financing may not be available on acceptable terms or at all. Failure to obtain additional financing on a timely basis could cause us to reduce or terminate our operations. Many groups, including the United Nations Environment Programme Finance Initiative, warn against investing in activities focused on exploitation of deep-sea nodules as a result of the potential environmental impact of the activities. The influence of these groups could negatively impact our operations and ability to raise capital on acceptable terms or at all.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those they possess prior to such issuances. Additionally, United States and global economic uncertainty, higher interest rates and diminished credit availability may limit our ability to incur indebtedness on favorable terms. Any debt financing or asset- or project-based financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Furthermore, the impact of geopolitical tension, such as a deterioration in the bilateral relationship between the United States and China or an escalation in conflict between Russia and Ukraine, including any resulting sanctions, export controls or other restrictive actions, also could lead to disruption, instability and volatility in the global markets, which may have an impact on our ability to obtain additional funding.

There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq, including the Nasdaq’s minimum closing bid price.

On September 10, 2021, our common shares and Public Warrants began trading on the Nasdaq Global Select Market under the symbols “TMC” and “TMCWW,” respectively. The Nasdaq has qualitative and quantitative listing criteria. If we are unable to meet any of the Nasdaq listing requirements in the future, including, for example, if the closing bid price for our common shares falls below \$1.00 per share for 30 consecutive trading days, Nasdaq could determine to delist our common stock. If in the future Nasdaq delists our common shares from trading on its exchange for failure to meet the listing standards, we and our securityholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a deterrent for broker-dealers making a market in or otherwise seeking or generating interest in our securities;
- a deterrent for certain institutions and persons from investing in our securities at all;

- a determination that our common shares are “penny stock” which will require brokers trading in our common shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The closing bid price of our common shares was below the minimum \$1.00 per share beginning on July 6, 2022 and has not been above \$1.00 per share since. The closing bid price of our common shares on August 12, 2022 was \$0.9987 per share. If our common shares do not achieve a closing bid price of at least \$1.00 by August 16, 2022, we expect to receive a notification from the Nasdaq Stock Market that for the preceding 30 consecutive trading days, the closing bid price of our common shares was below \$1.00 per share. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we expect to have 180 calendar days from the notice date to regain compliance. To regain compliance, the closing bid price of our common shares must be at least \$1.00 per share for a minimum of 10 consecutive trading days. If we do not regain compliance in this 180-day period and we are not otherwise able to transfer our listing to another Nasdaq market and regain compliance with the \$1.00 minimum closing bid price, the Nasdaq could delist our common shares and Public Warrants.

In the event that our common shares and Public Warrants are delisted from Nasdaq and are not eligible for quotation or listing on another market or exchange, trading of our common shares and warrants could be conducted only in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common shares and Public Warrants, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common shares and Public Warrants to decline further.

Our business is subject to numerous regulatory uncertainties which, if not resolved in our favor, would have a material adverse impact on our business.

To date, no commercial collection (also referred to as “mining,” “exploitation” or “harvesting”) of nodules has occurred on the seafloor in the area of the high seas beyond national jurisdiction (the “Area”), which includes the CCZ. Moreover, despite the release by the ISA of the Draft Regulations on Exploitation of Mineral Resources (the “Draft Regulations”), finalization of such regulations remains subject to approval and adoption by the ISA. The ISA was intending to have these regulations finalized by July 2020, but the COVID-19 pandemic disrupted ISA meetings and discussions. Once adopted, these regulations will create the legal and technical framework for exploitation of the polymetallic nodules in the NORI, TOML and Marawa contract areas.

Section 1, paragraph 15 of the 1994 Agreement relating to the Implementation of Part XI of UNCLOS allows a member state whose national intends to apply for approval of a plan of work for exploitation to notify the ISA of such intention. This notice obliges the ISA to complete the adoption of exploitation regulations within two years of the request made by the member state.

On June 25, 2021, Nauru submitted its notice to the ISA requesting that it complete, by July 9, 2023, the adoption of regulations necessary to review NORI’s plans of work for the commercial exploitation of polymetallic nodules. Although we believe that the notice submitted by Nauru to the ISA has increased the likelihood that regulations will be adopted that will govern and enable commercial development of polymetallic nodules by mid-2023, there can be no assurances that the adoption of these regulations will not be delayed or halted as a result of the actions of other member states in the ISA. If the ISA has not completed the adoption of such regulations within the prescribed time and an application for approval of a plan of work for exploitation is pending before the ISA, the ISA shall nonetheless consider and provisionally approve such plan of work based on: (i) the provisions of the UNCLOS; (ii) any rules, regulations and procedures that the ISA may have adopted provisionally at the time, (iii) the basis of the norms contained in the UNCLOS and (iv) the principle of non-discrimination among contractors. There can be no assurance that the ISA will provisionally approve our plan of work or that such provisional approval would lead to the issuance of an exploitation contract by the ISA.

We expect the final regulations (“Final Regulations”) to be approved within the next two years, but there can be no assurance that such regulations will be approved then, or at all. The Draft Regulations and several supporting standards and guidelines are at an advanced stage, but there remains uncertainty regarding the final form that these will take, as well as the impact that such regulations, standards and guidelines will have on our ability to meet our objectives.

The collection of polymetallic nodules within the CCZ, where our exploration areas are located, will require approval of an ISA Exploitation Contract (which will authorize commercial collection activities). As part of the application for an ISA Exploitation Contract, all contractors are required to complete baseline studies and an ESIA, culminating in an EIS, prior to collecting nodules. The EIS would be accompanied by an Environmental Management and Monitoring Plan (“EMMP”). The EMMP is expected to specify the objectives and purpose of all monitoring requirements, the components to be monitored, frequency of monitoring, methods of monitoring, analysis required in each monitoring component, monitoring data management and reporting. At the moment, our wholly owned subsidiary NORI has submitted an EIS in respect of the collector test that NORI intends to perform in the CCZ in the third quarter of 2022. NORI has received comments from the ISA requesting additional detail on certain technical matters including overall sampling design and specifications to be provided for the ISA’s review. While NORI submitted its response to the ISA on July 29, 2022, there can be no guarantee that the ISA will complete its review of NORI’s responses in a timely manner or at all. The NORI EIS for the collector test is an integral component of the program of activities required for NORI to complete to be eligible to submit an application for an exploitation contract for approval by the ISA.

In order to move our exploration projects into commercial production, our wholly-owned subsidiaries, NORI and TOML will each need to obtain an ISA Exploitation Contract, as will our partner, Marawa, in addition to related permits that may be required by our commercial partners. There can be no assurance that the ISA will evaluate any Exploitation Contract application by our subsidiaries in a timely manner or at all. Even if the ISA timely evaluates such applications(s), our subsidiaries may be required to submit a supplementary EIS or perform additional studies or campaigns before obtaining approval. As such, there is a risk that an ISA Exploitation Contract may not be granted by the ISA, may not be granted on a timely basis, or may be granted on uneconomic terms thereby delaying our potential timeline for commercial exploitation.

Similarly, with respect to Sponsoring State regulation, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that would limit or curtail production or development by our subsidiaries. Amendments to current laws and regulations governing the operations and activities of deep-sea mineral resources companies, or changes in interpretation thereto, or the unwillingness of countries throughout the world to enforce such laws and regulations, could have a material adverse impact on our business, and could cause increases in exploration expenses, capital expenditures, production costs, or put the security of our equipment at risk to activism or piracy. Such amendments could also cause reductions in our future production, or the delay or abandonment in the development of our polymetallic mineral resource properties. There can be no certainty that actions by governmental and regulatory authorities, including changes in regulation, taxation and other fiscal regimes, will not adversely impact our projects or our business. Further, our operations depend on the continuation of the Sponsorship Agreements between our subsidiaries NORI and TOML and each of their host Sponsoring nations, Tonga and Nauru, respectively. Each subsidiary has been registered and incorporated within such host nation and each nation has maintained effective control, supervision, regulation, and sponsorship over the conduct of such subsidiary. While we have beneficial ownership over such subsidiaries, we operate under the regulation and sponsorship of Nauru and Tonga. If such arrangement is challenged, or sponsorship is terminated, we may have to restructure the ownership or operations of such subsidiary to ensure continued state sponsorship. Failure to maintain sponsorship, or secure new state sponsorship, will have a material impact on such subsidiary and on our overall business and operations.

While the rates of payments are yet to be set by the ISA, the 1994 Agreement relating to the Implementation of Part XI of the UNCLOS of 10 December 1982 (the “1994 Implementation Agreement”) prescribes a relevant framework that the rates of payments “shall be within the range of those prevailing in respect of land-based mining of the same or similar minerals in order to avoid giving deep seabed miners an artificial competitive advantage or imposing on them a competitive disadvantage.” The ISA has held workshops with stakeholders to discuss and seek comments on the potential financial regime for the collecting of polymetallic nodules in the CCZ. There can be no assurance that the ISA will put in place Final Regulations in a timely manner or at all. Such regulations may also impose burdensome obligations or restrictions on us, and/or may contain terms that do not enable us to develop our projects.

Our business is contingent on our ability to successfully identify, collect and process polymetallic nodules, and in doing so, we will need to rely on certain existing and future strategic relationships, some of which we may be unable to maintain and/or develop.

In conducting our business, we will rely on continuing existing strategic relationships as well as new relationships in a variety of disciplines, including the offshore equipment and services industries, the onshore mineral processing industry, and others involved in the mineral exploration industry. We will also need to continue to develop new relationships with third-party contractors, as well as with certain regulatory and governmental departments.

For example, we have been working with Hatch, a global engineering, project management, and professional services firm, to develop onshore processing technology for the production of readily saleable copper and manganese products, as well as products such as high-grade nickel and cobalt sulfates for the electric vehicle battery markets. In connection therewith, Hatch has developed a near-zero solid waste flowsheet. We are also party to certain agreements with Allseas, pursuant to which, among other things, Allseas has agreed to design, engineer and construct an integrated offshore collection system to collect nodules from NORI Areas, and to assist with shipping efforts thereafter. Allseas is contractually required to develop a test system to demonstrate this capability, but it is not certain that Allseas will convert, or will be able to convert such system into a full-scale commercial operation or that we will reach contractual terms with Allseas for such commercial arrangements. If we are unable to enter into definitive agreements with Allseas for the use of its technology for the collection, transport and commercial production of polymetallic nodules, it will have a material adverse effect on our business.

There can be no assurance that we will be able to continue to maintain and develop our existing relationships, or that we will be able to form the new relationships that are required for our business to be successful. For example, our agreement with Maersk to provide marine cruises and management services expired in January 2022, following the completion of the NORI Area D baseline campaigns. We are currently working with a third party to provide a survey vessel previously provided by Maersk and specialized remotely operated vehicles, and autonomous underwater vehicles services required to support the implementation of the collector test monitoring survey planned for 2022 in the NORI Area D. Our work with this third party is ongoing, but there can be no assurance that we will be able to continue to work with this third party, or another third party, on acceptable terms or at all.

We may issue additional common shares or other equity securities without shareholder approval, which would dilute your ownership interests and may depress the market price of our common shares.

As at August 12, 2022, we had 227,158,455 common shares and 24,500,000 warrants to acquire common shares issued and outstanding, which does not include the 37,978,680 common shares issuable in the private placement financing we announced in August 2022. In addition, the Allseas Warrant is exercisable for up to 11,600,000 common shares subject to the terms and conditions thereof. Subject to the requirements of the Business Corporations Act (British Columbia) (“BCBCA”), our Articles authorize us to issue common shares and rights relating to our common shares for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. In addition, 33,699,685 common shares are reserved for issuance under the TMC Incentive Equity Plan, including 9,017,299 shares added to the plan in January 2022 pursuant to the plan’s evergreen provision, and 5,254,324 common shares are reserved for issuance under our 2021 Employee Stock Purchase Plan, in each case, subject to adjustment in certain events. In addition, up to 136,239,964 common shares, subject to adjustment in certain events, may be issued to the holders of special shares and holders of options underlying special shares upon conversion of special shares if certain common share price thresholds are met (“Special Shares”). Any common shares issued, including in connection with the private placement financing, upon exercise of warrants, upon conversion of the Special Shares or under the TMC Incentive Equity Plan, or the 2021 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by you.

Our issuance of additional common shares or other equity securities of equal or senior rank would have the following effects:

- our existing shareholders’ proportionate ownership interest in the Company will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding common share may be diminished; and
- the market price of our common shares may decline.

Our outstanding warrants became exercisable for our common shares beginning on October 9, 2021, which if exercised, will increase the number of shares eligible for future resale in the public market and result in dilution to our shareholders. You will likely experience further dilution if we issue common shares in future financing transactions.

We have 15,000,000 outstanding Public Warrants to purchase 15,000,000 common shares at an exercise price of \$11.50 per share, which warrants became exercisable beginning on October 9, 2021. In addition, there are 9,500,000 Private Warrants outstanding exercisable for 9,500,000 common shares at an exercise price of \$11.50 per share. In certain circumstances, the Public Warrants and Private Warrants may be exercised on a cashless basis and the proceeds from the exercise of such warrants will decrease. To the extent such warrants are exercised, additional common shares will be issued, which will result in dilution to the holders of our common shares and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common shares, the impact of which is increased as the value of our stock price increases. Furthermore, if we raise additional funds by issuing additional common shares, or securities convertible into or exchangeable or exercisable for common stock, our shareholders will experience additional dilution, and new investors could have rights superior to existing stockholders.

There can be no assurance that the Public Warrants and Private Warrants will be in the money at the time they become exercisable, and they may expire worthless.

The exercise price for the outstanding Public Warrants and Private Warrants is \$11.50 per common share. There can be no assurance that such warrants will be in the money prior to their expiration, and as such, such warrants may expire worthless. Since the closing of the Business Combination to August 12, 2022, the price of our Common Shares has ranged from a high of \$12.45 to a low of \$0.81 and as of August 12, 2022, the closing price of our Common Shares was \$0.9987. Based on the current trading price of our Common Shares we do not expect to receive any proceeds from exercise of the Public Warrants and Private Warrants unless there is a significant increase in the price of our Common Shares.

There are currently outstanding an aggregate of 24,500,000 warrants to acquire our common shares (not including the Allseas Warrant), which comprise 9,500,000 Private Warrants initially issued in connection with SOAC's initial public offering, which were transferred to permitted transferees of the initial holders thereof, and 15,000,000 Public Warrants. Each of our outstanding whole warrants is exercisable commencing on October 9, 2021, for one common share in accordance with its terms. Therefore, as of August 12, 2022, if we assume that each outstanding whole warrant is exercised and one common share is issued as a result of such exercise, with payment of the exercise price of \$11.50 per share, our fully-diluted share capital would increase by a total of 24,500,000 shares, with approximately \$281.8 million paid to us to exercise the warrants. Furthermore, even if the warrants will be in the money following the time they become exercisable, the holders of the warrants are not obligated to exercise their warrants, and we cannot predict whether holders of the warrants will choose to exercise all or any of their warrants.

We are involved in litigation that may adversely affect us, and may not be successful in our litigation related to non-performing Private Investment in Public Equity (“PIPE”) investors.

Due to the nature of our business, we may be subject to regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of our business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. We can provide no assurances that these matters will not have a material adverse effect on our business. Following periods of volatility in the market, securities class-action litigation has often been instituted against companies. On October 28, 2021, a shareholder filed a putative class action against us and certain executives in federal district court for the Eastern District of New York, styled *Caper v. TMC The Metals Company Inc. F/K/A Sustainable Opportunities Acquisition Corp., Gerard Barron and Scott Leonard*. The complaint alleges that all defendants violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder, and Messrs. Barron and Leonard violated Section 20(a) of the Exchange Act, by making false and/or misleading statements and/or failing to disclose information about our operations and prospects during the period from March 4, 2021 and October 5, 2021. On November 15, 2021, a second complaint containing substantially the same allegations was filed, captioned *Tran v. TMC the Metals Company, Inc.* These cases have been consolidated. On March 6, 2022, a lead plaintiff was selected. An amended complaint was filed on May 12, 2022, reflecting substantially similar allegations. We deny any allegations of wrongdoing and we have filed and served the plaintiff a motion to dismiss on July 12, 2022 and intend to defend against this lawsuit. There is no assurance, however, that we or the other defendants will be successful in defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. If the motion to dismiss is unsuccessful, there is a possibility that we may incur a loss in this matter. Such losses or range of possible losses either cannot be reliably estimated. A resolution of this lawsuit adverse to us or the other defendants, however, could have a material effect on our financial position and results of operations in the period in which the lawsuit is resolved. Additionally, this and other litigation, if instituted against us, could result in substantial costs and diversion of management’s attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We expected to receive approximately \$330 million of proceeds in the private placement that closed on September 9, 2021 in connection with the Closing but only received \$110.3 million (net of transactions costs). On September 20, 2021, we commenced litigation in the New York Superior Court, New York County against two investors who failed to fund their commitments pursuant to subscription agreements entered into in connection with the expected financing. These actions are captioned *Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ethos Fund I, LP, Ethos GP, LLC, Ethos DeepGreen PIPE, LLC, and Ethos Manager, LLC*, Index No. 655527/2021 (N.Y. Sup. Ct.) and *Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ramas Capital Management, LLC, Ramas Energy Opportunities I, LP, Ramas Energy Opportunities I GP, LLC, and Ganesh Betanabhatla*, Index No. 655528/2021 (N.Y. Sup. Ct.). The operative complaints allege that the investors breached the relevant subscription agreement and that the investors’ affiliates tortiously interfered with the subscription agreements by causing the investor not to fund its contractual obligations. We are seeking compensatory damages (plus interest), expenses, costs, and attorneys’ fees. There can be no assurances, however, that we will be successful in our efforts against these investors.

As we are not a reporting issuer in Canada, our common shares and Special Shares may be subject to restrictions on resale in Canada.

Our common shares and Special Shares were distributed pursuant to an exemption from the prospectus requirements in Canada. As we are not a reporting issuer in Canada and we do not intend to become a reporting issuer in Canada in the future, any distributions or trades of our securities will be a distribution that is subject to the prospectus requirements in Canada unless an exemption therefrom is available. An exemption from the prospectus requirements would be available to holders of shares of a class (and any underlying shares of such class) in respect of a trade if residents of Canada (the “Canadian Owners”) own, directly or indirectly, not more than 10% of the outstanding shares of such class or any underlying shares of such class, and represent in number not more than 10% of the total number of owners, directly or indirectly, of shares of the applicable class or underlying shares, on any distribution date (collectively, the “Ownership Cap”) and the trade is made through an exchange or market outside of Canada or to a person or company outside of Canada. On September 7, 2021, we received exemptive relief from the prospectus requirements in Canada such that the common shares and Special Shares issued to Canadian Owners in connection with the Business Combination are not subject to resale restrictions in Canada, subject to the terms and conditions set forth in the exemptive relief order. There can be no assurance that any future securities offered to offerings held by Canadian Owners will be freely transferable by the Canadian Owners.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the three and six months ended June 30, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Herein from Form or Schedule	Filing Date	SEC File/ Reg. Number
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32*	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			

+ Management contract or compensatory plan or arrangement.

* The certifications attached as Exhibit 32 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of TMC the metals company Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of such Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TMC THE METALS COMPANY INC.

Date: August 15, 2022

By: /s/ Gerard Barron
Gerard Barron
Chief Executive Officer

Date: August 15, 2022

By: /s/ Craig Shesky
Craig Shesky
Chief Financial Officer

CERTIFICATIONS UNDER SECTION 302

I, Gerard Barron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TMC the metals company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a)];
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

/s/ Gerard Barron

Gerard Barron

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS UNDER SECTION 302

I, Craig Shesky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TMC the metals company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a)];
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2022

/s/ Craig Shesky

Craig Shesky

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of TMC the metals company Inc., a British Columbia, Canada corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended September 30, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2022

/s/ Gerard Barron

Gerard Barron
Chief Executive Officer
(Principal Executive Officer)

Dated: August 15, 2022

/s/ Craig Shesky

Craig Shesky
Chief Financial Officer
(Principal Financial Officer)
