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# EDITED TRANSCRIPT

Q1 2023 TMC the metals company Inc Earnings Call

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## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

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

## PRESENTATION

### Operator

Good day, and thank you for standing by. Welcome to The Metals Company First Quarter 2023 Corporate Update Conference Call. (Operator Instructions) Please be advised today's conference is being recorded.

I would now like to hand the call over to your speaker, The Metals Company CFO, Craig Shesky. Please proceed.

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

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

Additionally, please note that the company's actual results may differ materially from those anticipated, and except as required by law, we undertake no obligation to update any forward-looking statements. Our remarks today may also include non-GAAP financial measures, including with respect to free cash flows and additional details of these non-GAAP measures can be found on our slide deck. And the slide deck is available on our website at [investors.metals.co](https://investors.metals.co).

I'd now like to turn it over to our Chairman and CEO, Gerard Barron. Gerard, please go ahead.

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

Thank you, Craig, and good afternoon, and thank you all for joining us today for our first quarter 2023 corporate update call. You are welcome to follow along with our slide deck or if you're joining us by phone, you can access it all any time at [investors.metals.co](https://investors.metals.co). It's only been about 6 weeks since our last update call, but the first quarter has set an exciting tone for 2023 with progress at the International Seabed Authority generating headlines around the world, but we'll cover more on that later. I'd like to highlight some important financial milestones that occurred during the quarter. Since going public, we've been enhancing our system of controls and procedures now culminating with the removal of our material weakness from 2021 and with the certification filed by myself and our CFO at the end of 2022, as required under Sarbanes-Oxley Act. I'd like to thank our entire finance team, including our Chief Accounting Officer, Claude Plourde, for leading our continuous progress as a public company with mature internal controls.

We ended Q1 with over \$28 million in cash and also announced in March a new \$25 million unsecured credit facility with an affiliate of Allseas. This facility remains untapped today as does our \$30 million at the market equity program. We also announced a strategic partnership with Low Carbon Royalties in February in which we contributed a 2% gross overriding royalty on NORI in exchange for \$5 million and a 35% equity stake in LCR and a right to repurchase up to 75% of the royalty at a fixed return. We mentioned on our last call that LCR has the potential to be an additional source of capital to bring NORI-D and other TMC projects into production, and we believe LCR management continues to show signs of that potential. In March 2023, LCR acquired additional royalties on MG Energy's natural gas fields in Latin America, effectively doubling its total royalty on the Maria Conchita block to 3.1% and adding a 1.4% gross overriding royalty on the SINU-9 block, indicating an upward trend in the valuation of this partnership. We're excited about LCR's pipeline of other potential royalty acquisitions as well. LCR's corporate presentation, cites a pipeline of term sheets and opportunities with over \$200 million of net asset value in their estimation, and please head to [lowcarbonroyalties.com](https://lowcarbonroyalties.com) for more information. So on to the agenda.

Today, we'll take you through the following items: a summary of recent regulatory news, a brief market update, a reminder of TMC's value proposition and an update on the progress of our NORI-D project and some more ESG information and of course, our financial update. At the March 2023 ISA session, Member States made significant progress on key aspects of the regulatory text and reiterated their commitment to adopting final rules, regulations and procedures. I would like to thank the 167 member states and the European Union for their tremendous efforts, both at these formal sessions and the intersessional work that is happening in between. It is important to note that all member states are working diligently with the ISA Secretariat and observers to get this innovative regulatory regime in place. And this even includes the small minority of member states calling for a precautionary pause or a moratorium represented in yellow on this page.

Fortunately, this industry is guided by the United Nations Convention on the Law of the Sea, and there is no wiggle room to follow certain parts of the convention while ignoring others. As Italy's Minister of the Environment and Energy put it last week, UNCLOS contains an obligation to negotiate the regulations, and there is no legal basis for a moratorium or precautionary repose. Major news coverage on the ISA progress has also picked up. Though the reporting has approached the issue from various angles, there is increasing acknowledgment that this is not a question of if this new industry starts, but when, as tweeted following the conclusion of the session by the New York Times reporter, Eric Lipton. And on the next slide, we'll lay out what we think were some of the major takeaways from the March ISA session. Firstly, all states reiterated their commitment to the adoption of the rules, regulations, and procedures known as the mining code. Further, we were pleased to see significant progress made by member states on many aspects of the mining code.

Regarding applications submitted before a final mining code is in place, the ISA confirmed that the Legal and Technical Commission, or the LTC, shall review an application and provide a recommendation to the council. And the council confirmed it has the obligation to consider a plan of work for exploitation after July 2023. Of course, we would much prefer to start my operations with an exploitation contract granted under the final mining code. However, we reserve our legal rights under UNCLOS to lodge an exploitation application before the mining code is adopted. But we look forward to continued progress at the upcoming July meeting and through the ongoing intersessional work. Together with the Republic of Nauru, NORI commits to only submitting an application for a commercial contract after we complete a high-quality, comprehensive and science-driven environmental and social impact assessment or an ESIA.

Last quarter, we discussed some of the developments on this page with increased interest in seafloor resources for countries and companies with industrial credibility, including Transocean's announcement of providing a Samsung 10,000 drillship for conversion into a nodule production vessel, ahead of Belgian contractor GSR's integrated system test currently scheduled for 2025. I spent time last week in Houston at the Offshore Technology Conference, and it was amazing to see all of the interest in seafloor resources from major offshore players, several of whom have publicly announced their intention to invest in this space. And while interest continues to grow and the potential for seabed minerals to reduce the West reliance upon China, China itself is accelerating its efforts in this space. In March, the state Newspaper China Daily reported that the world's largest battery metals producer was stepping up its investment in the development of nodule collection systems and a Chinese official interviewed in the article noted TMC's leadership position in the industry. China currently holds 3 exploration licenses for polymetallic nodules. And in February, China Ocean Mineral Resources Research and Development Association, or COMRA, as we know them, signed a second contract extension for polymetallic nodule exploration granted on the basis that it will be in a position to proceed to exploitation within 5 years.

On to our value proposition. The scale of our nodule resource is enormous. Each little car on this page represents the metal required to electrify 1 million vehicles with a 75-kilowatt-hour battery based on NMC811 chemistries. Our NORI and TOML areas contain in situ quantities of nickel, copper, cobalt and manganese equivalent to the requirements of about 280 million vehicles or roughly the entire U.S. passenger fleet. Earlier this month, Mining.com released their updated 2023 rankings of the world's largest undeveloped nickel projects. And there was some reshuffling within the 10 largest nickel projects, but the top 2 remain the same again this year. TMC's NORI at #1 and TMC's TOML at #2. And you'll notice several Canadian projects in the mix, and this is where focusing on nickel equivalent grades is so important compared on the bottom of this page. And on land for both nickel and copper, grades have declined over time, which is significant for several reasons. It means more ore is moved to get the same amount of metal, and it often negatively impacts the economics for producers requiring higher prices to greenlight new projects. And it requires more land use, more energy use and more water use. And when you couple falling grades with sharply rising demand for clean energy technologies and metals, it becomes an exponential increase in tailings and solid waste. NORI-D nodules have a nickel equivalent grade of 3.2% with 4 key metals in the one

resource. And this grade differential between TMC's projects and the world's other undeveloped nickel projects is highlighted on the Y-axis (inaudible). TMC is an outlier among peers with the largest nickel equivalent resource and the highest nickel equivalent grade. And this grade differential is the key attribute, which affects our future estimated margins, our net present value and which allows for the potential compression of environmental impacts per ton of metal, as highlighted in the recent Benchmark life cycle analysis comparing nodules to conventional land-based resources.

On to our NORI-D project, starting with an explanation of what the project entails. While the exploitation application to the ISA is focused on offshore nodule collection, the NORI-D project, the first in our portfolio, representing 22% of our total estimated resource, is actually a fully integrated project from seafloor to the factory gate. And on this project, we've spent in excess of \$300 million over the last decade. At a time when the reshoring of energy transition metal supply chains is taking center stage, we're seeing significant interest from multiple parties and across the logistics and bulk transport sector to see this coming industry as a means to support their growth ambitions in the coming decade. And additionally, our lab and bench-scale onshore processing work over the past several years has been very successful in showing that nodules can be turned into these critical metal products. Zooming in on that onshore component of NORI-D, we've made some deliberate choices in the design of our flow sheet with the help of our industry-leading partner, Hatch. And this flow sheet would produce near zero solid waste using almost all of the nodule's mass while producing zero tailings.

So how is this possible? Well, this slide summarizes the progression of material through the flow sheet. With the pyrometallurgical stages successfully demonstrated on a pilot level in 2021. First is the calcine step where nodules are heated to remove water from the hydroxide minerals. Next, the calcine is smelted which produces a metal alloy rich in nickel, copper and cobalt, and a manganese silica products. So with relatively straightforward scope, the alloy can be upgraded to matte, which is a conventional intermediate product with concentrated nickel, copper and cobalt. And since the matte is conventional, the refining of matte battery-grade sulfate products is also conventional. If we so choose, we can sell the matte to existing refineries to produce the battery metals on the right side of this page. And near zero waste and no tailings is possible because the manganese silicate product contains most of the mass of the nodules. So there just isn't a lot left over. A byproduct aggregate fayalite slag material is produced with the remaining non saleable portions. And the nodules also contain naturally lower levels of certain toxic elements, which often require more difficult waste and tailings management on land. [fayalite slag] is used commonly as road aggregate or other products all around the world today. The nickel-copper cobalt alloy and the manganese silica products are the first possible saleable materials. And this is our initial plan with specific metals of Japan or PAMCO.

In March, we announced that we had signed a non-binding MOU with PAMCO to evaluate the tolling of 1.3 million wet tonnes or more of polymetallic nodules per annum at their smelting facility in Japan starting in 2025. Using a 22-tonne sample of the nodules collected during last year's test, PAMCO have made great strides in their evaluation of the cost of processing nodules using their existing facilities and of any additional equipment requirements, which are currently expected to be minimal. Working with PAMCO can help us achieve our stated capital-light strategy to get into initial commercial production, potentially reducing both our time to market and our upfront costs. We were pleased to report in the fourth quarter that Allseas and NORI achieved all significant pilot collection system milestones while collecting approximately 4,500 tonnes of seafloor polymetallic nodules and over 3,000 tonnes were lifted up the 4.3-kilometer riser system to the Hidden Gem vessel. And as historic as it was to see those first nodules up the pipe, perhaps the most important takeaway from these trials was a wealth of data gathered on the environmental impacts of nodule collection.

Let me share some more detailed information on the important work done by our partners during the Environmental Impact Monitoring campaign, which is part of our \$100 million environmental and social impact assessment. We've engaged some of the world's leading research institutions and companies as part of our ESIA program. In 2022, we collected over 200 terabytes of data alone. In March, we announced that NORI had begun submitting data collected during 17 offshore resource definition and environmental campaigns to the ISA's DeepData platform. The first submission of benthic data, which includes over 270,000 occurrences, will provide a significant expansion to the biological holdings contained within the DeepData platform. And once fully collated and categorized, we expect that the DPC data set for the NORI-D area alone to be the most extensive catalog of its kind on the planet, which will be available to all of society.

I'd like to play a short video highlighting some of the biological sampling work done during the Environmental Impact Monitoring campaign.

I'm Bryan O'Malley from Eckerd College in St. Pete, Florida, and I'm a benthic ecologist, and I'm here on Campaign 7A and leading the work scopes of environmental DNA and Benthic foraminifera. Here on 7A, we're setting ecological baselines of environmental health of the benthic environment, which means the sea floor and all of the biological communities that live on the seafloor. For our first work scope, we're sifting through this deepsea sediment for these tiny armored amoeba called benthic foraminifera. They're the most ubiquitous organisms down in these deep sea and abyssal plain regions. They're very good bio-indicator for ecological health because they form the basis of the food web along with bacteria and organic matter. It will be important to monitor before and after this collector test. So our second work scope is environmental DNA or eDNA. Organisms are constantly shedding their DNA into the environment. This all gets in trained in the sediment. We can actually sequence it and get an idea of the entire community. We will then compare it to our post-collector test sampling and see how this has changed over time. I really hope that this research will set a precedent among any future industries relating to the blue economy of setting environmental baselines and monitoring impact responsibly.

Of course, it's the infield data gathered by contractors like NORI and others that is forming a fuller picture of the environmental impacts and mitigation measures that we can expect in this area of the abyssal plain. And this is particularly true with regard to settlement plumes, which have previously been the topic of much hyperbole and speculation. Leading experts in the field of deep-sea settlement plume dynamics, including a team led by Professor Tom Peacock at MIT as well as researchers at Scripps found that 92% to 98% of sediment disturbed during the offshore system trials conducted by fellow contractor GSR, remained within 2 meters of the sea floor. And as they noted in the conclusion to their study, it's quite a different picture of what these plumes look like compared to some of the conjecture. And on our own ground, in the NORI-D area, preliminary research conducted by leading experts at DHI as part of our own collection system test last year supports the findings of MIT.

And here's a glimpse of this work in this short video.

My name is Andy Banks. I work for a company called DHI Water and Environment. So we specialize in building numerical simulations of what we call water environments. The oceans, the rivers, the estuaries, mines, primarily from a decision support capacity. We have considerable domain expertise in plume monitoring, the pilot collector vehicle is scooping a good bit of sediment up off the seabed, and it's generating a plume. From a technical standpoint, we believe that a lot of these principles that we use to monitor and quantify the fate and transport of the suspended sediment can be applied here in the deep sea.

Our main purpose has been to supply the data collection devices and sensors for DHI so that they can understand and plan where they need to put the sensors. They can capture the data from the collector vehicle. We put water quality data centers. So CTDs, they've got [transometers], they've got turbidity sensors. They have DO sensors, ADCP, that's for collecting the currents, getting the current data. We've got some camera landers on the seafloor. We've got some other mid-water moorings that we can talk to. We can query those real-time with modems, conductivity, temperature, depth, salinity, all those types of oceanographic water quality sensors.

So at the present moment, we have an array of fixed assets that are sitting on the sea floor. These are instruments that measure the amount of suspended sediment in the water using acoustic and optical backscatter. We'll also have similar instrumentation sitting on an ROV and some AUVs that fly around and try to reconstruct a 3-dimensional picture of the plume. After the project, we'll take all this information that's been collected and integrate them to build a numerical model that describes the transport of suspended sediment and ultimately, its fate. In other words, where it lands and how deep it settles. So more broadly, that feeds into the environmental impact assessment that TMC is putting together for this project. The interesting part about this project to me is that we're working with high-tech machines, working on a complex problem met at 4,200 meters depth. It's a serious technical and logistical challenge. Try to take a picture of this 3-dimensional complex plume basically at a distance, trying to do something that very few, if anybody has ever done before. It's quite exciting.

So recently, we released the results of a comparative life cycle assessment done by Benchmark on the NORI-D project and key land-based routes for getting nickel, cobalt and copper. And for nickel, the NORI-D project outperforms all terrestrial routes in all impact categories assessed, including global warming potential, water consumption and waste generation. I'd encourage you to read an extensive piece just released by the Washington Post last night to get a better picture of the environmental and human impacts of rainforest nickel. This slide provides a visual comparison of nickel from the NORI-D as compared to nickel from Indonesian laterites

processed via RKEF and HPAL routes. The impacts for NORI-D are probably hard to see on your screen, represented by a tiny blue line. And even when compared to other forms of nickel supply in the bottom table, nickel from NORI-D nodules, again, produces the lowest impacts versus all compared conventional sources for every impact category measured. Soon, we will be releasing the next part of Benchmarks assessment, which quantifies the additional carbon impacts from land-based mining associated with the loss of carbon sinks and the sequestration services they provide. To preview those results, the gap between nodules and conventional sources is even greater when sequestered carbon and carbon sinks are considered. And while carbon is immediately released into the atmosphere when woodland forests are churned up in the DRC or rainforests are removed in Indonesia, there is no known mechanism for disturbed seafloor carbon to get anywhere close to the ocean surface or atmosphere.

One of the most remarkable yet overlooked opportunities around sourcing these metals from the CCZ is the fact that it's far offshore and away from any human communities. And that means that key social challenges that terrestrial mining faces such as human displacement, child or forced labor, freshwater usage and exposure to toxic elements do not exist when collecting nodules. And further, UNCLOS created a mechanism to ensure that developing nations could access and benefit from this resource through the sponsorship of a commercial entity quoting the former ISA Secretary-General Oduntun in a speech in to the United Nations in 2011. The original purpose of the parallel system of exploitation was to provide developing states with a practical and realistic means of participating in seabed mining. And this is exactly what happened in the case of Nauru and Tonga. He goes on to note, however, that this wouldn't have been possible without sufficient confidence in the regulatory system from the private sector. And with our sponsoring states, we receive access to this incredible resource and we get to partner with them via local grants, scholarships and at sea training. They also already receive administrative and other fees. And once we are in production, they will get substantial income via collection fees per ton of nodules and corporate taxes, all of which will become a significant part of their country's GDP.

And I'd now like to turn it over to our CFO, Craig Shesky, to discuss valuation and financials.

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

Thanks, Gerard. So we'll start with the familiar slide. In March 2021, AMC Consultants issued an SEC REG S-K 1300-compliant initial assessment of the project economics for the NORI-D area. And this initial assessment, which was a point-in-time analysis, arrived at a net present value of \$6.8 billion for NORI-D at the beginning of 2021. Now this NORI initial assessment is available in the Investors section of our website, and the NORI-D financial model can be found beginning on Page 310 of that document. But to make it easier for modeling purposes, we've also added the Excel tables from this initial assessment as a separate document again at [investors.metals.co](https://investors.metals.co). So of course, running the same model is simply updated for current metal prices. The net present value of NORI-D would be approximately \$13 billion on just 22% of our total estimated resource. So let's talk a little bit about how these underlying project economics can and eventually should translate into valuation.

On this slide, you may also look familiar to many of you who are on our second-quarter 2022 corporate update call, but it's actually new. In the previous version from last year, we compared price to fundamental value for land-based copper developers compared to TMC and using the NPV of NORI-D alone, we found that we traded at a discount of roughly 20x. On this slide, put together with the help of Stifel, looks at land-based nickel developers instead. And again, story remains the same. NORI-D is trading at a 20x discount to these nickel peers. A small amount of that discount might be pinned of course, on the ISA uncertainty until the final mining code is in place, but there's also significant regulatory uncertainty on land as well and including for some of the names on this page. So if you just come through all the noise and narratives, the resources is the resource. And with TMC, you have an opportunity to invest in the largest nickel resource in the world at roughly \$0.05 on the dollar compared to what you might pay on average for the same amount of this critical metal from land-based developers. On the next page lays out some of the critical milestones that we think can lead to major re ratings in our public valuation and change this undervalued situation, including, of course, continued progress from the ISA, which Gerard discussed at length, NORI submitting an exploitation application over the NORI-D area, the ISA granting an exploitation contract over NORI-D and then, of course, the beginning of commercial production shortly thereafter.

On to our financial results, TMC reported net income of approximately zero for the quarter ended March 31, 2023, compared to a net loss of \$21.1 million or \$0.09 per share for the quarter ended March 31, 2022. The first quarter 2023 results include a gain of approximately \$14 million on the sale of that 2% royalty on the NORI asset to Low Carbon Royalties. Exploration and evaluation expenses during the quarter ended March 31, 2023, were \$7.2 million compared to \$7.4 million for the quarter ended March 31, 2022. General and

administrative expenses were \$6.2 million for the quarter ended March 31, 2023, compared to \$8.5 million for the quarter ended March 31, 2022. The lower spending in the first quarter of 2023 reflects lower share-based compensation as options with specific market capitalization and vesting conditions were fully amortized in 2022 and lower spending on the pilot mine test system as the collector test was completed in November of 2022. Free cash flow for the first quarter of 2023 was negative \$23.5 million compared to negative \$15.7 million in the first quarter of 2022, reflecting an operating loss of \$13.4 million, pay down of working capital of \$12.3 million due to some timing adjustments, partially offset with equity-settled expenses of \$1.8 million. As of March 31, 2023, TMC held cash of \$28.4 million and held no debt. And we believe that our cash on hand and borrowing availability under our recently signed credit facility with an affiliate of Allseas will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months from today.

So I'll now turn it back over to Gerard for some closing remarks before we take Q&A from the audience.

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

Thanks, Craig. I've said it before, and I'll say it again, the pieces are falling into place. In the fourth quarter of 2022, Allseas and NORI announced a major offshore collection achievements, lifting over 3,000 tons of nodules to the surface, significantly derisking the technology of nodule collection. In the first quarter of this year, we announced strategic initiatives with PAMCO and Bechtel and also announced additional flexibility on the financing front, including the \$25 million unsecured credit facility provided by our partner, Allseas. And I continue to be encouraged by the ongoing financing discussions with a host of strategic parties. Now we're seeing great signs on the last piece of the jigsaw puzzle, the finalization of the mining code by the ISA. As that important work continues, our team will continue to work tirelessly to deliver the best possible application, including what I know is going to be a world-class assessment of the environmental and social impacts of the first project in our portfolio, providing confidence to the world that nodules can be responsibly collected and processed into key metals needed for the energy transition of our planet. Thank you for your interest and attention.

With that, we'd like to turn it back over to the operator for some questions.

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**QUESTIONS AND ANSWERS**

**Operator**

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

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

Congratulations on coming up with a break-even quarter here. I understand there were some one-time items there, but still good to see you guys controlling your expenses and keeping the company going and accomplishing all these great things you talked about. Let me get into the questions. First of all, maybe it's bookkeeping, but the low carbon steel -- I'm sorry, the low carbon royalty, 35% going down to 32%. Did I hear you right, you ended up selling that 2% back to LCR?

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

No. So what happened to Dmitry was effectively, there have been additional transactions subsequent to the deal announcement in February. So there were additional shares issued, which was related to the acquisition of very valuable natural gas resources in Latin America. So we noted that the Maria Conchita royalty, [the only initial royalty in LCR] (added by company after the call) other than our NORI contribution, 2% gross overriding royalty, the Maria Conchita royalty actually doubled in size due to the subsequent transaction. And then there was an additional natural gas [royalty] (corrected by company after the call) acquired, the SINU-9 asset owned by NG Energy. So with those 2 transactions, you significantly increase the value of the natural gas elements of that portfolio, yet TMC's stake was reduced from just 35% to 32%. So we think it represents a material increase in the valuation prospects of that entity.

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

Okay. So you have a lower percentage of the company, but a higher royalty revenue run rate anyway.



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

That's correct.

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

Okay. Secondly, let's switch to the PAMCO project that you're working on. Can you update us on how they're doing with your samples and where they are in determining the feasibility of processing your polymetallic nodules? And then what would be the next step and how long would that take for them to figure out if they want to -- if they can do the alloy plus manganese or if they can take it down to [matte] or even further?

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

Yes. Dmitry, thank you for your question. Look, it's worth noting that PAMCO have been processing nickel ore since 1965. And so they are a very credible partner. And of course, their flow sheet, which they use to currently process materials, nickel laterites is identical to what we've been piloting, what we developed with Hatch involves a rotary kiln and electric arc furnace. And so they know a lot about this. And of course, they've been working with a 22 tonne sample. There are some -- there's a very active exchange between their team, between our team, between our technical providers, which we've worked with over the last 5, 6 years. And we expect that soon after June 30, and I suggest that's probably early in Q3. So not far away, we will have bedded down the commercial terms that we can then consider and decide how we put that into a binding agreement. So far, a lot of information has been shared and we're encouraged by what we see. And of course, we will continue to push that along. And it's hard to imagine another mining project on land that can get started without having to spend enormous amounts of capital on processing. That's where the capital is normally spent and we've come up with a solution here.

And of course, at the moment, it's not binding. And I will say it's not the only solution possible. There are other solutions as well. But we've come up with a solution here, and we've got a fabulous partner in PAMCO who have great willing that requires us to invest no CapEx. It's a very unique situation. And normally, of course, what happens with a typical mining project as you wait for the permit and then you have to go and get financed to build your processing and that processing is normally measured in billions of dollars. It's really expensive to build this. So the fact that we've identified something where we can process our nodules, we'll keep ownership of the material and pay a tolling arrangement is really unique to this project. And this -- we often say it internally, of course, there are challenges getting a new industry started, but this project and this resource just delivers. It really delivers benefits because of the nature of the resource and where it's located. The process of then turning that alloy material into matte is relatively straightforward. There's a standard piece of equipment that you tag on the end. I'm making it sound simple. And of course, our processing engineers will be saying it's not that easy, I'm sure. But we've got an amazing team. And of course, we've got great operators. So it's a very low-risk step to take at that next step. And of course, there is a sizable market for us to sell that alloy as well. And of course, what we're constantly monitoring is the payables. We're confident of the payable number we can get for the alloy, which will be very attractive. If we process at the next step, and there's no need to do that on new 1 or maybe even year 2, we'll get higher payables. We'll get approaching to all of the contained value of the nickel copper and cobalt. So it's purely a set of numbers.

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

That's very helpful. I appreciate that, Gerard. And that actually leads me into my next question. You provided a very nice flow diagram of going from nodules to the finished product. And if you look at every step, you mentioned alloy and manganese silica is the first step and then a converter slag as the next upgrading step, and then finally getting to the copper, nickel and cobalt salts and the ammonium sulfate, which is actually a great solution for your waste and tailings. You talked about the tables that you can get at each of those steps. Can you give us an idea, without talking about specific dollar amounts, but maybe in percentage terms of copper and nickel, cobalt, ammonium sulfate being 100% and intones being x percent? And what does each of these steps mean for you in terms of value realization for the nodules?

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

Sure. Well, (inaudible). The manganese silicate, we'll get 100% of the value there. And in fact, we had an independent company to a value in use report which showed that we should get a premium, and we've handed samples of that to many people in the market, and



they love the product. They love it because our process takes a lot of the other (inaudible) material, and that makes it a much more friendlier material to use in the steelmaking process. As for the alloy, we're confident we can get between 65% and 70% of the payables. And if we go all the way up to matte, it depends on the market. We might get 85%, we might get 90% of the payables.

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

Okay. So that's a lot better mathematics than I envisioned going from step to step. That actually leads me to my last question. When you talk about NPV of \$13 billion for the NORI-D project, that includes, if I understand correctly, about \$7 billion in CapEx that you would anticipate spending to getting the project fully developed if you were funding it internally. You've pretty much secured the offshore portion of the process and turn that into operating expense versus capital expense with your Allseas contract. And PAMCO may allow you to do the same thing onshore. So when you really talk about NPV, are we really talking about something closer to maybe \$17 billion to \$18 billion, assuming that you have to put in \$2 billion to \$3 billion of your own CapEx?

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

Well, yes. No, it's a great question. We've been very careful not to update every number on that slide, given the fact that for putting out something as definitive as an initial assessment, and we're very eager to share some of the new project economics as we move past our pre-feasibility work this year, we want to make sure that we're not getting over our skis until we've had third-party independent assessments done by Qualified Persons. However, what we've shown on this page is just for the most simple sensitivity of do not make those changes for CapEx, as you know, but also no change to OpEx, just change the metal prices, that's what the sensitivity in the model shows. Now importantly, we haven't said what could that \$7 billion of CapEx go down to, it could be quite a bit lower than \$2 billion or \$3 billion. That would likely entail, however, additional amounts paid in terms of operating expenses. So we have this great option in front of us to be able to enhance return on equity for our shareholders by reducing CapEx in exchange for OpEx. Now does that mean you would be achieving 60% to 70% EBITDA margins?

No. That would be something smaller. But you would still have a very, very healthy EBITDA margin, very strong positive free cash flow and doing it in a way that minimizes CapEx. So we don't want to be too specific on that. But I would also make another comment to Gerard's point on whether we sell alloy or matte or, let's say, take it all the way to the battery grade products. On average, our basket of metals is 30% higher than it was at the time of that initial assessment. So at the time of that initial assessment, even when producing nickel sulfates and cobalt sulfate, there was at the time an expected \$2 billion of CapEx for the refining work, building a facility from scratch. In that scenario, you would be getting roughly \$503 per tonne of revenue. We're quite confident that we will be quite a bit above that number even stopping at, call it, an intermediate matte product for nickel and cobalt, for example. So we have a nice tailwind when it comes to higher metal prices that allows us that flexibility to make these considerations about trading CapEx for OpEx to get into production in a very capital-light manner.

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

That was helpful. And then final question, just to tie it all up together, one of the biggest outstanding issues is that the financing that you need to get you there. So I understand that the deal with PAMCO may have gotten you into conversations with maybe some new potential partners. Is there -- can you provide any update on how that's going and what your expectations are for getting either project-level financing or some other debt financing to allow you to complete -- to bring this project to conclusion.

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

Yes, sure. Look, we have stated several times in recent updates that we remain focused on asset-level financing. It's interesting what's happened to our equity value since being a public company. It hasn't been a very impressive chart, but at the same time our underlying assets as you've seen on NORI-D have doubled in value almost. And so it's hard to reconcile that. Now the good news is, as we've shown through recent financings, including the \$30 million that largely came from existing shareholders in August 2022 and most recently from our largest investor, Allseas, the \$25 million we announced recently, the current shareholders are prepared to keep supporting this company. So that's good. We know this project is transformational in some of those metals. We know that because of the size and quality of it. And as we get closer to removing some of the uncertainty and the uncertainty involves the permitting, of course, and being able to demonstrate those environmental impacts, the fact that we can produce reports such as the one that Benchmark produced and the other peer-reviewed papers that are coming out are good indicators. And so I think as we get closer to those certainty points, those strategies that we continue to talk to it makes it easier and easier to get them involved. And one of the tremendous things about this project is we're

not talking about billions of dollars. We already have our first production vessel, which Allseas own the hidden gem. We've identified a processing partner that can get us processing these nodules for no CapEx. So we're not talking about large sums of capital. So I can't say more than the fact that these talks are going well. We're pleased. Craig can talk more about the regular approaches we get from financings. We have an at the market facility of \$30 million. We have a shelf registered at \$100 million. And you'll note we haven't used them. That tells you we're very confident about the other steps that we have, the other paths that we're moving down.

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**Operator**

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

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**Malcolm MacDonald**

Dmitry just asked a lot of the questions. But just regarding the relationship with Maersk, can you provide some background on how or why the relationship with Maersk was initially established and why they have been selling their position and what their intention is for the future going forward with the remaining shares, this has obviously been an overhang on the tape. So any color or clarity that you could provide there would be very, very helpful.

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

So yes, look, going back to Maersk, they've been extremely instrumental in a lot of our resource definition campaigns. And as Gerard mentioned, we've had 17 on NORI alone resource definition and environmental campaigns most of which were made possible by the Maersk Launcher vessel. So they've been an incredible partner. And they were very happy and eager to take equity in Deepgreen and then TMC, of course, for some of that compensation for being such a great partner. That partnership ended at the end of 2021. And this was really a natural progression given that a lot of the resource definition work has been completed. The environmental baseline campaigns have largely been completed, of course, [while] the analysis of that data continues. But really, we're moving away from [the pure] exploration part of [project to actual] (added by company after the call) pilot mining. So having Allseas carry more of that water and especially using the Hidden Gem vessel, which would be our first commercial production vessel on Project Zero was a very natural transition. And during that time, there were some changes at Maersk structurally, where this business was held in Maersk Supply Services, which was deemed a "other" element of their business. So this is really, I think, after the point that the partnership ended, it was a non-core business in what was a non-core segment. And then finally, news came out earlier this year that Maersk Supply Services was sold to the parent holding company. So in our view, this is not any economic decision or anything that opines [on their] the view of deep sea mining overall. And certainly, we continue to have a great relationship with those guys on a personal level. But you're right, you can see from their filings that they've been selling quite a bit in the open market since the fourth quarter, going from roughly 21 million shares to a small fraction of that. So look, it's been frustrating, frankly, to know that, that overhang is out there. And to see a lot of this good news that's been coming out over the past few months, including really going back to the collector test last year. If you would have told us that after doing this massive historic collector test, the first of its kind and integrated test system since the 1970s, effectively derisking many elements of this technology. But of course, none of that has [gotten] (corrected by company after the call) any credit yet in the TMC share price. So again, we think this is a spring that keeps getting coiled tighter and tighter as a lot of this good news has come out. And I think that overhang while it's been difficult, and we're not too far away from that being behind us as we start realizing the potential on this massive resource.

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**Operator**

Our next question comes from [Frank Jones] with Norbury Partners.

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**Unidentified Analyst**

Awesome update so far. I think Dmitry and Malcolm asked every question I had, except we haven't talked much about off-take agreements. And I know the PAMCO MOU probably go first to understanding what products you're going to sell in the market. But do you guys have any -- given any thought to what you're going to do or how you're going to sell, whether it be the alloy or the matte if it will be like an at the market process or if you're looking to find an off taker before this could go on other projects here?

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

Yes. Frank, what I can say is watch the space. You see it as an important part of the future financing strategy. And we're talking to strategic at an asset level, and that also includes talks around offtake. And those metals are all in high demand, and we're working hard on it. But hopefully, we'll have some good news around that before the end of the year.

**Operator**

And I'm not showing any further questions on the phone lines.

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

So we might take a few from the web chat. So I see from Steve Clark, he asked the U.S. because of inaction by the U.S. Senate is not a party to UNCLOS and it only has observer status at the ISA meetings. But the U.S. does have an outside influence in terms of the need for battery minerals. They seem to be playing both sides of the bases on quickly passing RPPs and exploitation licenses. So how do you see the U.S. role in proceedings this July?

Well, it's a good question, Steve. I think overall, the role as observer will continue, but the U.S. does respect UNCLOS and the ISA mandate over the high seas and the U.S., of course, funds a lot of VISA operations, along with many of the other member states. But you're absolutely right. Look, a lot of the demand for these metals is coming from the United States, which if you're looking at nickel manganese and cobalt, the U.S. effectively has 0 or de minimis primary production of all 3 of those. So I think on the one hand, while the U.S. may not rise above observer status anytime soon and may not be much of an active participant in the debate, and actually getting the final rules and regulations as part of the mining code to the finish line, the U.S. does certainly have a need for these metals. You've seen a lot in the Inflation Reduction Act, for example, and potential funding from the U.S. Department of Defense and Department of Energy, which shows that there is a mandate to get primary production of a lot of these metals. And there was a letter from Senator Lisa Murkowski in 2022 to the U.S. Department of Energy, wondering why the U.S. is not doing more [on nodules] (added by company after the call)? Why did the Biden 100-day supply chain review, not focus more on these? And the response from Secretary Granholm of the Department of Energy was -- well, the U.S. is well aware of this. And while this topic was beyond the scope of the report that they are well aware of the potential of nodules. And to paraphrase her quote, that eventually the U.S. does expect this will be a significant source of future supply. So what we can tell you is that we spend a lot more time in [Washington] DC (added by company after the call) than we used to. And just as Gerard mentioned on the offtake, we continue to watch this space as well because we recognize that it is a very important part, if not necessarily for the ISA process, but certainly for the narrative around these battery metals.

Andy Whitmore. I appreciate the question there too with another one on Maersk. So I believe we answered that from Malcolm MacDonald. Gerard, a question here from David Larkam from Edison Research. Do we have any update on the recent nor overflow report and the engineering review of the Airlift system required? So perhaps we can talk a little bit about the ISA audit of that? And a second question on it, will this impact or any impact we required before filing any further commercial operations?

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

Sure. Look, it is what I could only describe as a much-over exaggerated events. And of course, the Hidden Gem had about 125 people on it, including many scientists. We had an observer boat with more than 80 people on it, many of them scientists. And so I heard some people say that we weren't as transparent, which is total nonsense. We had a procedure in place. As soon as possible, we closed down the system. We made an assessment. We notified the regulator, which basically we found the fix. And the fix was, of course, was the transport mechanism, which is water that is used to carry the nodules up the 4.3-kilometer pipe had a collar on it. And as it turned out, the collar needed to be a little bit taller. And so Allseas to their credit, we're able to fix that in situ and it took a couple of days. And of course, the system restarted and no such problems reoccurred. But let's just put this in perspective. We were lifting water and a small amount of sediment and some nodules from the bottom of the sea floor and some of them spilled off the side of the boat.

And so the material that came out of the ocean went back to the bottom back into the ocean. And so there was no risk of any serious harm. And of course, that is the purpose of these trials. That's exactly why you do it. And there were some learnings to be taken away from it. There were other things that we learned along the way as well. And of course, we are fortunate to have such a high-quality and experienced partner in Allseas who, for 37 years, have been solving very complex problems in the deep ocean and they operate

production vessels, laying very important infrastructure pipes for the oil and gas industry, 24 hours a day, 365 days a year on some of their vessels. And so they're able to identify and fix these issues. But no, it was -- of course, there are some learnings of it, and those learnings will be taken into the full production system. And I know that the regulator carried out a full review. They sought some external advice to review the review. And I think everyone was satisfied.

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

We have time for one more question. I think we'll take it from the webcast unless operator, if you see any others in the queue, let me know. But one from Ryan Boley is enhanced worker safety appeal. Is it an appeal for the offshore companies that are showing interest in collecting polymetallic nodules?

Gerard, I would love your perspective on this, too, overall on what are some of the factors that some of these offshore companies, and we're getting increasing headlines about offshore companies looking at this space and putting resources to it. But Ryan, yes, I think that safety is certainly one. But also, it's really an opportunity to repurpose existing assets but also devote capital and really develop human capital as well, a lot of the talent within offshore oil and gas that as we decarbonize as a society over the course of the next few decades, there's obviously going to be exponential growth in metal demand. And it's a great opportunity to take existing assets and really talented workers and devote it to a new space. But it's a new space that they know very well and just like our partner, Allseas, that expertise in operating and the deep ocean with very low temperatures and very high pressure. It's a unique set of skills. So we're really happy to have that expertise on display. And I know a lot of that was a big theme of the Offshore Technology Conference in Houston earlier this month. So I think that's it for the Q&A.

Gerard, I'll turn it back over to you for any closing comments.

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

Great. Well, thank you again for taking the time to join us for this conference call. We look forward to sharing even more progress on our second quarter corporate update call in August. To The Metals Company team and our suppliers and contractors and Board members, but especially to our team, thank you for an amazing quarter. Thank you for the enormously high level of commitment that you bring to this mission, and we look forward to speaking to all of our shareholders again in August.

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

Thank you all.

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**Operator**

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.

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