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TMC.OQ - Q3 2022 TMC the metals company Inc Earnings Call

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Dmitry Silversteyn *Water Tower Research LLC - Senior Analyst*

Malcolm MacDonald *Bank of America*

PRESENTATION

Operator

Good afternoon, everyone, and thank you for participating in the Metals Company's [Third] (corrected by company after the call) Quarter 2022 Corporate Update Conference Call.

Joining us today are the Metals Company's Chairman and Chief Executive Officer, Gerard Barron; and Chief Financial Officer, Craig Shesky. Following their remarks, we'll open the call for your questions.

Before we go further, I would like to turn the call over to CFO, Craig Shesky, as he reads the company's safe harbor statement within the meaning of the Private Securities Litigation Reform Act of 1995 that provides important cautions regarding forward-looking statements and information about use of non-GAAP measures. Craig, please go ahead.

Craig Shesky - TMC the metals company Inc. - CFO

Thanks very much. Thanks for joining our third quarter 2022 conference call. And 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 provisions for forward-looking statements that can be found at the end of our third quarter 2022 corporate update press release.

Such statements may also be found in our annual report on Form 10-K for the year ended December 31, 2021, and other reports subsequently filed with the SEC, all that provide further detail 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, additional details regarding these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures can be found in our slide deck being used with this call. And the slide deck is available on our website at investors.metals.co.

And I'd now like to turn it over to Gerard Barron, the Metals Company Chairman and Chief Executive Officer. Gerard, please go ahead.

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 third quarter 2022 corporate update call. You're welcome to follow along with our slide deck or if you're joining us by phone, you can access it at any time at investors.metals.co.

The last few months have been filled with historic achievements for TMC, NORI, and our strategic partner, Allseas. I'm speaking to you now from Mexico right before welcoming back the Hidden Gem and its remarkable team from a long and complex campaign testing our pilot system in the

NORI-D area. Following the ISA's recommendations in September to begin pilot nodule collection trials on the NORI-D area, Allseas commissioned an integrated pilot collection system from the Hidden Gem. And in October, we celebrated the first integrated collection and lift of polymetallic nodules in the CCZ since the 1970s.

Over the following weeks, Allseas put the system to the test, driving the pilot collector over 80 kilometers across the seafloor, collecting 4,500 tonnes of nodules and lifting over 3,000 tonnes to the surface. Beyond demonstrating the operational capabilities of the system, the pilot collection trial is the single most important milestone in terms of generating environmental impact data. Before this pilot trial began, 16 offshore campaigns were executed in the NORI area to collect environmental baseline data. And during the pilot trials, a team of environmental independent researchers, scientists and contractors were monitoring the environmental impacts of the trials. And they will continue their work on site until the end of the year to survey the post-trial environment. We look forward to sharing this data with the global community in the coming months.

This quarter also saw some important financial milestones on our last corporate update call in August, we shared details on the \$30 million pipe financing funded mainly by our existing investors. With that cash infusion, we believe our cash runway extends for at least another 12 months. In October, the SEC deemed effective our \$100 million universal shelf registration statement, and this adds additional financial flexibility. However, it remains our firm intention to continue working on asset-level financing options to raise the funds needed to get into production while minimizing dilution to TMC shareholders.

Today, we'll take you through a brief reminder of the scale of our resource, a market and regulatory update, an update on the NORI-D project, a recap of our near-term milestones and some financial updates. The scale of our resource and its potential to supply the metal needed for the energy transition is at the heart of our value proposition.

Our NORI and TOML areas contain In situ quantities of nickel, copper, cobalt and manganese equivalent to the requirements of about 280 million electric vehicles or roughly the entire U.S. passenger fleet. By contrast, the total resource of the Eagle Mine in Michigan, the only currently operating nickel mine in the United States and expected to wind down in 2025, contained nickel and cobalt roughly equivalent to the requirements of 2.5 million EVs. And the total resource of still to be permitted Tamarac project in Minnesota is about the same size.

Planned gigafactories and processing facilities are attracting record levels of funding but they can't produce anything without raw materials. Chinese investment aside, global investment in raw material continues lagging behind. It's a train wreck in slow motion. And to deliver on energy transition goals, countries like the U.S. need to tap unconventional resources like nodules that can truly move the needle for nickel-rich battery chemistries. Or they will need to go all in on alternative technology solutions.

A quick reminder, NORI and TOML were ranked earlier this year by Mining.com as the world's largest undeveloped nickel projects. Larger than other projects in the pipeline in Canada and the U.S. and about an order of magnitude higher in grade. Collectively, our NORI and TOML projects rival today's largest producers, both in Russia and Indonesia.

And it was recently reported that Indonesia, the world's largest nickel producer that expects to deliver most of the future growth in nickel from underneath their rainforest is now contemplating an OPEC style battery metal cartel. And at the same time, Indonesia is talking about forming an OPEC for rainforest. It will be interesting to see how they reconcile these seemingly opposing goals.

The insecurity of nickel supply and potential of the nodule resource are increasingly in focus in the U.S. Earlier this year, Senator Lisa Murkowski of Alaska, a leader on critical mineral issues, address the Department of Energy on this subject. U.S. Secretary of Energy Jennifer Granholm responded this summer in a letter stating that the impact of collecting nodules should be compared on a level playing field to metal from onshore extraction, something we've been advocating for some time. Secretary Granholm also noted that the DOE is working with interagency partners to consider all potential sources of critical minerals, including polymetallic nodules.

I'm also happy to report that in September, we reached a labor neutrality agreement with the UAW with regard to our potential full-scale plant in the U.S. Forward-thinking organizations like the UAW don't want to see factories shut down due to the lack of battery metals as they were last year due to a lack of semiconductors. The UAW has nearly a century of experience managing the production of automotive parts and has earned a reputation for protecting workers, protecting the environment and fighting for justice. From making the very first contribution to set up Earth Day

to its active position in the civil rights movement, the UAW has an impressive record of leadership on social and environmental issues. And together, TMC and UAW have the opportunity to create a battery metals industry that works for everyone: consumers, workers, businesses and the planet.

Nodules and TMC specifically have been a news topic over the last few months with coverage in -- the Wall Street Journal, the New York Times, BBC and ABC News. And 2 of these stories also resulted in an episode on 2 of America's most popular podcasts, the New York Times, the Daily podcast and the Wall Street Journal, the Journal podcast.

And while most people on this call are familiar with our story, this emerging industry is still news to most people. Not everyone who reads about us or listen to a podcast or a national news segment will be supportive. But the awareness of this project is certainly increasing as we keep hitting our milestones. And things continue to be eventful on the regulatory front. Our activities in the CCZ are regulated by the International Seabed Authority or the ISA, an intergovernmental organization established in 1994 based on the United Nations Convention on the Law of the Sea.

The ISA is mandated to regulate exploration and exploitation of seabed minerals while protecting marine environment. The latest ISA Council took place from October 31 to November 11 in person in Kingston, Jamaica, where the regulator continued its development of the exploitation regulations and committed to continue work on the regulations intersessionally. During this ISA session, the majority of participating states expressed their continued support for negotiating robust regulations that ensure the protection of the marine environment and were concerned by the position taken by France calling for a ban on exploitation activities.

Despite the amplification of the vocal minority by the media, only about 10 out of the 167 member states are calling for a precautionary pause. While most member states continue to support negotiating the draft exploitation regulations in good faith.

During the ISA Council session, our sponsoring state Nauru noted that an exploitation contract application for the NORI-D area would not be submitted until the ISA July 2023 session had been concluded. A gesture of good faith as work continues in earnest on the regulations. We still estimate being ready to submit our application for the NORI-D exploitation contract to the ISA in the second half of 2023, which brings us to the update on where we are on the NORI-D project.

As a reminder, NORI-D is the first project we are developing. It represents about 22% of our total estimated resource. So far, we've invested over a decade of work and over \$250 million. Last year, we completed our pilot pyrometallurgical pilot plant program using 70 tonnes of nodules that we collected from NORI-D. We proved we can turn our nodules into valuable metal products, thereby de-risking our future onshore operations. And this year, nearly every month brought a new milestone to help de-risk our offshore operations culminating in the successful conclusion of the pilot collection system test in the NORI-D area.

I'd like to play a short video with highlights of the collected test over the last few months. For anyone on the audio-only call, this will take about 3 minutes. So please stick with us.

(presentation)

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

So as we announced yesterday, Allseas and NORI achieved all significant pilot milestones while collecting approximately 4,500 tonnes of seafloor polymetallic nodules. And over 3,000 tonnes were lifted up at 4.3 kilometer long riser system to the Hidden Gem vessel, while the additional 1,500 tonnes of nodules were purposely left behind on the sea floor.

The pilot system achieved a sustained production rate of 86.4 tonnes per hour and gave us valuable operational data to inform future system optimizations and upgrades. Project Zero system will be targeting an average production rate of over 200 tonnes per hour. As any complex technology trial, it came with its own share of challenges and operational issues to solve, but I can't reiterate how impressed we have been with our offshore partner, Allseas, and what they have accomplished.

Key objectives set out for this pilot collection system have been achieved. As laid out in the pilot mining test agreement, Allseas is entitled to a third and final \$10 million milestone payment, which they have agreed to receive in the form of 10 million shares at \$1 each in addition to the expected exercise of the warrants in the fourth quarter of this year.

The Hidden Gem is back in port, but in fact, it will be tomorrow, I should say. But the post trials environmental monitoring work continues into December. And we're happy to report that we gathered all of the environmental data during the test that we planned to. In case you were wondering what 3,000 tonnes of nodules look like, this is a small mountain of nodules in the hold of the Hidden Gem vessel. The environmental campaign that monitored every part of the process on how these nodules were collected and lifted is the key part of the \$100 million NORI-D ESIA program.

I'd like to play a short video that highlights from this ongoing campaign starring our own [Katy Allen], our environmental associate and lead offshore representative.

(presentation)

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

So Katy has spent about 6 months at sea this year. She's a real rock star like other members of our team working offshore. And this requires uncommon levels of resilience, stamina and commitment. And Katy and the rest of our team have them in spades.

As part of this ongoing campaign together with Kongsberg, we've been testing the first prototype of the digital twin, a precursor for our full-scale adaptive management system, or AMS. All of us at NORI and TMC had access to the system and were able to track real-time movements of the pilot collection system in NORI-D and a host of operational metrics. We are now working with Australia's CSIRO and New Zealand's NIWA to develop a scientific framework for ecosystem-based environmental management. And once in place, we will integrate ecosystem data and add environmental management capabilities like implementing environmental guardrails for any future operations.

To us, the AMS will enable real-time environmental and operational management of our operations. But to our regulator and key stakeholders, it will serve us eyes and ears on our operations. Just because we plan to operate far offshore, does not mean we will be out of sight.

In recent media reporting, certain outlets keep citing old speculations from anti-DSM activists rather than the published research based on actual field trials. A landmark plume study from MIT and Scripps was published as the cover story of the September 23 issue of Science Advances, which concludes that the single most discussed impact of nodule collection is far less extensive than previously speculated. During the GSR collected test last year, the study found that 92% to 98% of the plume from the pilot nodule collective vehicle rose only 2 meters above the sea floor before settling close to the test area. And to quote the MIT Professor Tom Peacock, it's quite a different picture of what these plumes look like compared to some of the conjecture.

We continue to expect that we will be able to significantly compress environmental and social costs compared to land-based miners. No social displacement, no deforestation, no digging, no blasting, no drilling, no child labor and no tailings. And the tailings issue is again making headlines with nickel prices spiking this week on news of a tailings down leak at Goro Nickel mine in New Caledonia, which will be forced to cut Q4 production as this issue is hopefully sorted up.

And this year, we engaged industry-leading metal research firm, Benchmark Mineral Intelligence to produce our life cycle assessment of the environmental impacts of the NORI-D project and how they compare to producing the same metals from conventional land ores using typical processing routes. The results on this page are a preview of the initial results that are currently undergoing third-party review to be completed by the end of this month.

The graph shows the global warming potential per kilogram of nickel in nickel sulfate with the NORI-D project having the lowest footprint of all assessed alternatives. And the table below shows the LCA outcomes for other assessed impact categories like ozone depletion, acidification, and water consumption. And nickel for the NORI-D project shows the lowest impact value among the compared processing routes.

The results of this independent LCA are broadly consistent with the early results of the 2020 White Paper, but offer a much more rigorous LCA based on the most recent NORI-D project data and the advantage of comparing NORI-D project impacts to specific processing routes instead of global averages. And we look forward to releasing the full study after the completion of third-party review.

I'll now turn it over to Craig to discuss project economics, valuation and our financial results.

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

Thanks a lot, Gerard. So we've seen this slide many times before, and as shared in previous update calls. In March of 2021, AMC Consultants issued an SEC Regulation S-K 1300 compliant initial assessment of the project economics for the NORI-D area. And this initial assessment is available in the Investors section of our website, and the NORI-D financial model can also be found beginning on Page 310 of that document at investors.metals.co.

The initial assessment arrived at a net present value of \$6.8 billion for the NORI-D area at the beginning of last year. But running the same model simply updated for current metal prices, the net present value of NORI-D would be approximately \$16 billion, on just 22% of our total estimated resource. However, in terms of valuation, we think we're trading at a multiple of fundamental value that's effectively 20x lower than what one would expect for a preproduction based metal company at this stage of project life, creating a huge potential rerating opportunity as we continue to de-risk this project. The peers on this page are mainly copper producers as it's difficult to find a handful of pure-play publicly traded nickel comps at similar stages of preproduction and this further underscores the opportunity.

But how do we get away from this undervalued position? Well this page lays out some of the critical milestones we believe are key to unlocking the potential of the NORI-D project and the rest of the resource portfolio. We secured financing for at least another 12 months. We've completed the NORI-D pilot collection system trials, and we are working to lock in commercial terms for Project Zero. And some of the next critical milestones would be: 1, the ISA finalizing exploitation regulations; 2, NORI submitting an application for NORI-D for an exploitation contract; 3, the ISA granting NORI an exploitation contract; and then 4, the beginning of commercial production shortly thereafter.

Now in 2022, we're happy to report that we've completed most of our stated 2022 milestones, particularly those on the project development side. Things have admittedly taken a bit longer in delivering a PFS for the Project Zero plant in part due to bottlenecks in global RKEF, that's rotary kiln electric furnace, processing engineering capacity. And this is holding up our ability to reach a definitive agreement for that project Zero plan. But we're working on resolving this and expect to have more specific news to share in our next earnings call.

So on to the financial results. In the third quarter of 2022, TMC reported a net loss of \$27.9 million or \$0.12 per share compared to a net loss of \$36.7 million or \$0.18 per share for the third quarter of 2021. The net loss for the third quarter of 2022 include exploration and evaluation expenses of \$22.7 million versus \$23.8 million in Q3 2021. General and administrative expenses of \$5.9 million versus \$13.3 million in Q3 2021, partially offset by a gain of \$0.4 million due to a decrease in the value of our warrants.

Exploration and evaluation expenses decreased in the third quarter of 2022 compared to the same period in 2021 as a result of a decrease in offshore environmental campaign activity following the completion of NORI Area D environmental baseline campaigns in the fourth quarter of 2021. The results also reflect a decrease in share-based compensation, partially offset by an increase in the expenses incurred on the trials of the pilot mining test system and the collector test monitoring survey work.

G&A expenses decreased in the third quarter of 2022 compared to the third quarter of 2021, reflecting a reduction in share-based comp and a reduction in communication and advertising costs. Partially offset by higher personnel, legal and other expenses associated with being a public company.

Now in the third quarter of 2022, the net cash used in operating activities amounted to \$8.7 million compared to \$10.4 million for the third quarter of 2021. Excluding nonrecurring items, free cash flow for the third quarter of 2022 was negative \$9.2 million compared to negative \$9.3 million in the third quarter of 2021.

Now regarding our balance sheet as of September 30, 2022, we closed out the quarter with a cash balance of \$67 million, which includes approximately \$30 million of funds raised through the August PIPE financing. And again, we believe gives us at least runway for the next 12 months with that cash position. For the 9 months, beginning 2022, TMC reported an operating loss of \$62.8 million and a net loss of \$61.4 million or \$0.27 per share for the first 9 months of 2022 compared to the operating loss of \$121.3 million and a net loss of \$121.5 million or \$0.61 per share for the 9 months ended September 30, 2021.

The net loss for the 9 months ended September 30, 2022, included exploration and evaluation expenses of \$40.3 million versus \$80.2 million for the same period in 2021. G&A expenses of \$22.5 million versus \$41.1 million for the same period in 2021, partially offset by a gain of \$0.9 million due to a decrease in the value of our warrants. Exploration and evaluation expenses decreased in the first 9 months of 2022 compared to the same period in 2021 as a result of a decrease in offshore campaign activity following the completion of NORI Area D environmental baseline campaigns in the fourth quarter last year. A decrease in share-based compensation, partially offset by an increase in the expenses incurred in 2022 for the PMTS trials and collector test monitoring survey work.

G&A expenses decreased in the first 9 months of 2022 compared to the same period in 2021, reflecting a reduction in share-based compensation and a reduction in consulting, communication and advertising cost expenses as these expenses were higher in the 2021 period due to the business combination and listing of the company on the NASDAQ. The decrease in the G&A costs in 2022 was partially offset by higher personnel, legal and other expenses associated with being a public company.

Finally, in the first 9 months of 2022, the net cash used in operating activities amounted to \$46.8 million compared to \$28.3 million for the first 9 months of 2021. Excluding nonrecurring items, free cash flow for the first 9 months of 2022 was negative \$47.8 million compared to negative \$23.3 million in the same period of 2021. The increased cash spending in the first 9 months of 2022 included payments made for various offshore campaigns, including a \$10.5 million payment to Maersk relating to 2021 campaigns, a \$10 million payment to Allseas as their second milestone payment and increased payments for environmental monitoring costs and the PMTS trials.

I'd now like to turn it back over to Gerard for some closing remarks. And then we'd be happy to take any questions. Gerard, over to you.

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

Yes. Thanks, Craig. So before we wrap up, I would like to extend an official welcome to Andy Greig, who recently joined the TMC Board and has now assumed the role as Lead Independent Director. Andy was previously a member of the DeepGreen board, our predecessor company, and brings extensive experience working on international construction projects in the mining sector during a 35-year career at Bechtel.

I'd also like to welcome Grant Lindner on board as our Project Director for NORI. Grant has spent the last 25 years at Bechtel and BHP, delivering over \$26 billion in project value and holding various senior roles in mining and marine projects. He got to spend time with our entire team last month, and it's clear that he's going to fit in well as a leader at TMC.

And at the same time, it was with sadness that we reported our Chief Development Officer, Tony O'Sullivan's upcoming departure due to personal and health reasons. Tony has been a pioneer in this new industry, and he's a dear friend and colleague. I'm pleased that he'll be staying on for the next year in a transition period. And I know I'll be able to count on his counsel and wisdom far beyond that point. Tony and the rest of the project team put the company on a path to success. And it's been great to see the fruits of those efforts culminate in some of the historic milestones achieved by TMC, NORI, and our partner, Allseas, over the last few months.

So thank you for your interest and attention today. And with that, we'd like to turn it back over to the operator for any Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Craig Shesky - TMC the metals company Inc. - CFO

While we're waiting for that one to compile, we might take one of the questions from the chat. When will we release an analysis and evaluation of the metallurgical content of the 3,000 tonnes of nodules collected?

I think what's important to keep in mind with those nodules coming from the NORI-D area, where we've actually moved the majority of the resource from inferred to indicated and then some of it from indicated to measured, it's a very consistent resource in terms of the metal content per nodule. In fact, this is a rarity if you're to look at a similar type of deposit on land. But in going from indicated to measured for those nodules, there was actually an increase of roughly 7% in terms of the resource size for that measured amount. So it is very consistent, and we're confident that overall, these 3,000 tonnes of nodules have generally similar characteristics to everything else that we've reported in our public filings.

Operator

(Operator Instructions) Our first question will come from the line of Dmitry Silversteyn from Water Tower Research.

Dmitry Silversteyn - Water Tower Research LLC - Senior Analyst

Good afternoon gentlemen, this is Dmitry Silversteyn with Water Tower Research. Just wanted to follow up on a couple of comments you made in your presentation. Number 1, you talked about the deliverables for 2022, and there's still some blue sort of ongoing items in the year. Can you talk a little bit -- I mean you mentioned briefly that there were some bottlenecks. But can you expand them and provide a little bit more granularity on what's going on with those milestones? And when do you expect them to get done now?

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

Craig, do you want to take that?

Craig Shesky - TMC the metals company Inc. - CFO

Sorry, Dmitry, you're talking specifically on the milestones with respect to some of the engineering bottlenecks that we had referenced?

Dmitry Silversteyn - Water Tower Research LLC - Senior Analyst

Correct. When you talked about sort of improving or delivering on your objectives over the next couple of years on that slide, you still have some areas as ongoing rather than completed.

Craig Shesky - TMC the metals company Inc. - CFO

Yes. So specifically, we had referenced some of the engineering capacity for PFS work for RKEFs, there's a bit of a bottleneck globally. But we do anticipate being able to move some of that forward in the next couple of months. We did receive proposals to that end in September. So it's moving, just a little bit slower than we anticipated.

And I think it's also important to remember that for Project Zero, we have a plan for how we're going to build that facility. But there is a lot of RKEF capacity around the world, and there are plenty of places that are sitting somewhat idle given the fact that Indonesia has banned the export of raw nickel. So we're always evaluating our opportunities and the cost-benefit equation of going to a place where a new site would be built or potentially using RKEF lines through a tolling arrangement. So stay tuned on that over the next couple of months.

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

And then second question on the post -- I guess, it's a 2-part question. 1, you mentioned that you left about 1,500 tonnes of nodules behind in the floor intentionally. Sort of what's the rationale behind that? And how is that going to help with the post-collection monitoring in an environmental study that you're going to be publishing?

And secondly, or along those same lines. I think you said that the post-collection Phase III is going to be going through the end of the year. So when do you expect the results -- the environmental results of your pilot program to be published and made available?

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

Yes. Well, firstly, on the 3,000 tonnes, we -- one of the purposes of the trial, of course, was to test the harvester and the other was to test the riser. And so we were successful in both of those. And we actually deemed 3,000 tonnes was sufficient. We think that number will average a little bit higher than that. But because we now have the problem of well, we have to store them, we have to unload them. We have to put them somewhere because as part of our exploration contract, we're not allowed to sell them. And so we debated whether we'd even bring that much home, to be honest.

And as for the post collector monitoring, that will be done by Christmas. And we'll start releasing results in a gradual sense over the coming 12 months. And so we're very keen to get some of those results out because we've been very encouraged by what we've seen. As I mentioned, we were able to collect all the data we were looking for. And certainly, one of the risks in these campaigns is being able to make sure you can track the plume because particularly in the mid-water, it's a particularly small diluted plume. So we were very successful at doing that.

And we're also very successful at capturing the plume and our visual observations are consistent with those numbers reported from MIT on a study that they monitored last year. But you can assume we are keen to get those results out as quickly as we can. And there will be many, many dozens of papers that would be published as a result of this work that's been going on, not just during this campaign but over the last years. So -- and obviously, it all comes together in our application. But we'll be keen to get that out as soon as we possibly can.

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

That's great. And then final question, just on the cash position. So you did raise \$30 million with the PIPE investment. You mentioned that you have cash basically that will last year through the next 12 months at least. There is a possibility that ISA may take longer than July of 2023 to get their final regulations out there. So if you're not in a position to sort of get into production in the second half of 2024, what are the steps you're contemplating to bridge that finance or that capital gap?

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

Well, it's true that every day as we deliver more of these milestones, we get more and more inquiry. And as we mentioned on the last earnings call and reiterated today, our preference is to be raising our future capital at the asset level. And this is very typical for companies to offer earn-in type arrangements to other more significant companies, whether it's in the mining or the oil and gas industry, where those majors will typically come and earn in to an asset. And the important thing about our project is that we don't need a lot of money to get over that into production hurdle. And for those familiar with the natural resources industry, these capital numbers tend to be many hundreds of millions or billions of dollars, but we already have our first production asset. We already have the Hidden Gem, which will be our first boat for Project Zero.

And as Craig alluded to, we think we can come up with a no-CapEx solution for the onshore processing side as well. So look, all I can say Dmitry is we're very encouraged by the conversations that are underway at the moment. And they are all focused on asset level discussions around the NORI asset.

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

Let me just add Dmitry -- yes. Well, just a little commentary for you Dmitry as well. It is important to keep in mind that this has been a period over the last year-plus of pretty expensive project development work. We're talking about nearly -- really over the past several years in the high teens and the number of offshore campaigns for NORI, we had a successful pilot pyrometallurgical program showing that we could turn the nodules into valuable metal that wrapped up at the end of last year. And then this environmental research program that we're reaching the culmination of, we're going to be talking about over \$100 million spent on that when all is said and done.

So the discrete amount that we have to spend to get into production, that's in line with a comment Gerard made last quarter that it's Circa \$100 million, the additional cash that we need to get into production. But when you're talking about a potential delay, let's say things were delayed a month, 2-3 months, whatever you wanted to assume, we're a team of less than 40 people. So we think we could be running this business at maybe \$4 million or less per quarter in terms of cash burn, if we have to be in sort of a wait-and-see mood for a very short amount of time.

So think about some of the financial tools that we have at our disposal. We have that \$100 million shelf registration statement. We don't want to have to put our hand into that cookie jar and go to that. We'd prefer to raise funds at the asset level. But we think we're in a much stronger position financially and what it takes to actually keep this business going, given how small our team is and how efficient we run it really isn't that much per quarter.

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

That's very helpful, Craig.

Operator

(Operator Instructions) Our next question come from the line of Malcolm MacDonald from Bank of America.

Malcolm MacDonald - *Bank of America*

Malcolm here. Dmitry just nailed my question. So I mean, I really don't have anything else to be honest.

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

Thanks, Malcolm.

Operator

And I'm not showing any further questions in the queue. I would like to now turn the conference back to Gerard for any closing remarks.

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

Okay.

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

There are a couple of more -- Gerard, sorry. There are a few more questions in the chat. I might just ping through because we have a little bit more time.

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

Yes, yes, sure.

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

Yes. So I guess one question is, we have these 3,000 tonnes of nodules. What's the plan? What are we going to do with them? Maybe over to you on some of those thoughts.

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

Yes. So we're not allowed to sell them, but we are allowed to turn them into products. And so as we've articulated, we have completed the onshore pyrometallurgical pilot work already. However, there is some scope to engage with more partners because we now have some additional tonnage partners who are looking to get involved in this industry. And we're also quite enamored with the idea of having some batteries running around the place, made from our nodules off the license area. We wouldn't be able to sell them, of course, but we can certainly make them and give them to people. That would be more a marketing issue than anything.

Yes, so it provides a fair bit of flexibility for us. Of course, we can monetize them once we get a license, but until such time that our exploration turns into an exploitation license they can't be turned into cash.

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

And I see another question in here from David Larkam at Edison Research. Can you provide some granularity on the cash requirements for the next 12 months?

And I think we've addressed that. But one [question] (corrected by company after the call) in particular, "it sounds like no further cash is required for Allseas." We did finalize the amount for that third milestone payment. So we wanted to flag that. But we are still endeavoring now that everybody is back onshore to work to the final economic agreement for Project Zero with our partner, Allseas. We already did lay out earlier this year that roughly \$55 million of preproduction spending would be on TMC's own account to get the system ready for production towards the end of 2024.

So I would just flag those items. But we're looking very much forward to pushing that relationship forward and making sure that we're able to come up with an economic arrangement that makes sense for everybody on Project Zero.

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

Okay. Well, with that, I'd like to thank everyone for taking the time to join us on today's call. And we look forward to sharing even more progress on our fourth quarter update, which will be in March 2023. Thank you, everyone.

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

Thanks all.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.

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