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# EDITED TRANSCRIPT

Q3 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

**Matthew Dennis O'Keefe** *Cantor Fitzgerald Canada Corporation, Research Division - Research Analyst*

## PRESENTATION

### Operator

Good afternoon, everyone, and thank you for participating in The Metals Company's Third Quarter 2023 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 the use of non-GAAP measures.

Craig, please go ahead.

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

Thank you very much. Please note that during the 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. 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 statement.

Our remarks today may also include non-GAAP financial measures, including with respect to free cash flows and additional details regarding non-GAAP financial measures can be found in our slide deck with this call. And you are welcome to follow along with the slide deck or joining us by phone. You can access at any time at [investors.metals.co](https://investors.metals.co).

And I will now turn the call 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*

Thanks, Craig, and thanks to all of you for joining us today for our Third Quarter 2023 Corporate Update Call. And thanks are also in order to my team for the tremendous effort this quarter as we remain on track for the expected launch of our application for an exploitation contract over the NORI-D area following the July 2024 ISA Session.

I'm pleased to say we've made significant progress on prefeasibility work this quarter, as well as our Environmental Impact Statement, both of which are key prerequisites for our application. Our environmental program has not been cheap with cumulative spending of approximately \$150 million over the last decade plus. But that investment in science is resulting in a growing body of data that we believe is making a definitive case for the responsible collection of polymetallic nodules. We've already been sharing this environmental data with stakeholders around the world, including presentations during the recent ISA Meeting in Jamaica, and it's heartening to see how well-received these insights have been. This body of evidence will continue to grow and will include the results of our previously disclosed upcoming offshore campaign, the company's 20th environmental campaign in the CCZ in order to gather further information on ecosystem recovery and functioning, 12 months after last year's successful nodule collection system test.

I'm also delighted that we've published our Second Annual Impact Report, which examines the full scope of our existing and future potential impacts, including life cycle comparisons versus land-based resources. We also recently debuted our sustainability approach,

and I'd encourage everyone to read through our press release from October 31, with links to these documents. And of course, we're always looking to improve, so feel free to share any feedback via [impacts@metals.co](mailto:impacts@metals.co).

At the same time, progress on the regulatory front continues as the ISA member states continue to work on streamlining the various regulatory texts into one document. ISA Secretary General, Michael Lodge, summarized the progress this week in a press briefing reported on the Dow Jones Newswire, and I quote, "I can't say it's going to be exactly the same by the time it's adopted as the financial terms are open for discussion. But what you have on paper right now is a pretty good indication of the overall shape of the document."

We're excited to see this progress continue over the next 2 scheduled ISA meetings and intersessional work, as member states put their shoulders into this final push to adopt the mining code as is legally mandated by UNCLOS and the 1994 Implementation Agreement to allow for the commercial exploitation of this important resource. While the first question we get asked is typically about the regulations, the second is usually about our capital position. And as we've shown before, we have very committed shareholders, and this was demonstrated again with the capital raise announced in August at \$2 per share, plus a Class A warrant, mainly from existing investors, including our 2 largest shareholders, ERAS Capital and Allseas. We provided a further update on this capital raise in October, noting that we expected gross proceeds of \$25 million or roughly \$23.5 million net of fees, including \$9 million of additional closings at the same terms from ERAS Capital over the next few months. This puts our pro forma liquidity position at roughly \$56 million, inclusive of the \$9 million expected additional capital raise proceeds, plus our cash balance of \$22.5 million as of September 30, and our undrawn \$25 million unsecured credit facility from Allseas.

So on the agenda today, we're going to take you through the following items. A brief reminder of TMC's value proposition, an update on the progress of our NORI-D project, further detail on our recently released Impact Report and sustainability approach, a snapshot of the environmental case for TMC and nodule collection more broadly, a regulatory update on this month's ISA Session and finally, our financial update.

So as we've said many times before, our resource is an outlier amongst the world's nickel projects, not only are NORI and TOML ranked by mining.com come as the largest 2 undeveloped nickel projects in the world, but the nickel equivalent grade of this resource truly stands apart. The location of this resource also makes it special, given that nodules can be collected and shipped to wherever the processing and refining capacity exists. And this presents an important alternative feedstock to a nickel market which is increasingly dominated, supply controlled and funded by China. And while China is well ahead in processing and refining battery metals on land, they do not yet dominate in the deep ocean, but they are certainly making strides.

In fact, The Washington Post released a long-form piece on October 19 regarding China's increasing activity in the deep ocean, as well as their increased involvement at the ISA. And the article notes that TMC is ahead in technology, following our successful integrated collection test last year with Allseas, but that China is looking to catch up and become a leader in this space. China's deep-sea mining ambitions are also the focus 1 week later in the Bloomberg piece by US Admiral James Stavridis, former supreme allied commander of NATO, in which he implored the United States to focus more on what he calls a strategically essential resource. So, this elevated media attention has also led to prioritization of the issue from certain leaders in Washington, D.C., with repeated calls to action by congressional members to the defense and energy departments on a plan for developing the processing and refining capabilities for deep-sea nodules.

The latest news was a letter this week from 5 US House members from the state of Texas writing to the Department of Defense, advocating for funding support for a potential processing and refining facility on the Texas Gulf Coast for nodules from TMC's NORI area. This does not change our capital-light approach to begin production out of existing facilities such as PAMCO's in Japan, but it underscores the massive long-term potential that we represent for the US, which could go from near total import dependence for nickel, cobalt and manganese to metal independence in all 3, just from our contract areas alone.

Now for an update on the NORI Project. And as I've said at the outset, we're devoting a majority of our resources to the Environmental Impact Statement and the pre-feasibility work. And it's proving to be money and time very well spent. We'll zoom in first on the pre-feasibility work. For the offshore segment of the PFS, together with Allseas, we have gone through several mine planning iterations and design reviews of the Project Zero nodule collection and transport system. And as announced in August, together, we have upgraded

the expected maximum capacity of the Hidden Gem vessel to 3 million wet tonnes of nodules per year, a 130% increase versus the previous estimate of 1.3 million wet tonnes per year.

For the offshore segment of the PFS, we've made great progress -- sorry, the onshore segment, we've made great progress in Japan, where Pacific Metals Co., or PAMCO, as we know them, has done considerable work and validated that seafloor nodules can be tolled through their current facility producing intermediate products that align with our specification. The expected binding agreements with Allseas and PAMCO, both of which are anticipated to be finalized before the end of this year, will be key inputs for our PFS modeling work, including CapEx and OpEx estimates for Project Zero. And with the help of one of the world's leading EPC firms in Bechtel, we expect this PFS work to be completed in the first half of 2024.

And as you see on the right-hand side of this page, our PFS work will inform many of the key components of our application for an exploitation contract over the NORI-D area, expected to be lodged following the July 2024 session of the ISA. So for over a decade, NORI has been gathering key data to inform its environmental and social impact assessment. Since our first campaign in 2011, NORI has embarked upon 20 offshore research expeditions to better understand the nodule resource and develop a rigorous environmental baseline of the ecosystem of the NORI-D area. But of course, to understand the absolute impacts of potential nodule collection, you have to go out and collect nodules. So the 3 offshore campaigns that made up last year's prototype nodule collection system test and environmental monitoring, marked a watershed moment in our data collection effort, providing infield observations of the impacts of collecting nodules from the sea floor and lifting them up 4 kilometers to the surface.

As a company working at the forefront of a new industry, we knew that we could not do this alone. And that's why NORI partnered with many of the world's leading marine research institutions and expert industry contractors to ensure that our application is founded on the best possible science prepared by the best minds in marine research. After more than a decade of exploration, we are entering the final stages of our environmental and social impact assessment. The gray boxes represent the work completed, with the blue representing work ongoing. And running in parallel with our environmental baseline and impact studies, we continue to invest in research to better understand how modules perform against traditional mining operations on land. This began in 2019 with an in-depth life cycle assessment covering 19 different impact categories and drawing upon NORI data to assess the comparative impacts of sourcing metals for approximately 1 billion EVs from both nodules and land-based ores.

And then following successful tests of our pilot offshore system and onshore processing technology, we commissioned Benchmark Minerals for a project-specific life cycle assessment to compare our NORI-D project against key land-based production routes for the same target metals. Though their scopes differ, the big picture remains the same. The NORI-D project model outperformed all analyzed land-based production routes for nickel and copper, and most for cobalt. Thanks to this investment, we now have a refined assessment of the NORI-D project impact hotspots that we can address prior to starting commercial production.

In our inaugural Impact Report last year, we outlined who we are, why we exist and how we intend to go about delivering our mission. And this year's report focuses on the significant progress made in understanding the potential impacts of our operations and the work we're doing right now to reduce and mitigate these as much as possible. Several developments are worth highlighting. Our subsidiary, NORI, executed a complex 3-vessel campaign, while independent scientists carefully monitored the absolute impacts of our pilot nodule collection impact system. And Benchmark Mineral has completed their life cycle assessment of our NORI-D project, providing a clear picture of the relative impacts of our planned operations against terrestrial sources of metal supply.

NORI spent 145 days at sea in 2022 alone, as it continues to build upon its rich deep-sea data set. It has been fantastic to see the novel insights uncovered by the scientific community with the help of this information, with 8 peer reviewed papers now in publication and many many more to come. We also advanced our industry-first Digital Twin, deepening our engagement with Kongsberg Digital to bring AI and hybrid machine learning to our future deep-sea nodule collection operations with potential applications on land as well. And work is well underway for the first social impact assessment for a seabed mineral project in international waters, with our team engaging a broad cross-section of stakeholders in our sponsoring state of Nauru on the details of our project and its potential implications for this developing island nation. And of course, the incredible work that our in-country teams in both Nauru and Tonga are doing to support community projects and the next generation of leaders continue to go from strength to strength, with grants to over 40 grassroots initiatives and 2 dozen fully-funded scholarships and training opportunities awarded in 2022 alone.

And finally, this year, we were proud to join other private companies, NGOs, and multilateral institutions to pioneer an ESG handbook for Marine Minerals, an initiative which has transparency at top of mind and which will serve as a blueprint for disclosing material topics associated with marine mineral projects while showcasing best practices. As a company, our destination is clear, a carefully managed metal commons that is used and recovered and reused for generations to come. And getting there will be a challenge for as long as the world's metal demand keeps growing. Existing metal stocks will not be enough. And so we have made it our mission to find a workable path to this future.

Alongside this year's Impact Report, the sustainability team have been hard at work behind the scenes preparing for our new sustainability approach, which outlines the principles that will guide our decisions as we work towards realizing this vision. As part of this approach, the team has developed a comprehensive set of sustainability goals. And while too exhaustive to list here, I encourage you all to visit our website where you can share your thoughts on our approach, the goals we have set ourselves and how you feel these may be improved. We are sharing this approach now so that it may serve as the basis for a broad dialogue about how we intend to go about our business and welcome all stakeholder feedback that will bring valuable insights to refine and finalize a robust set of targets and KPIs. And we look forward to publishing these early next year.

If the assessment of these impacts against a comprehensive environmental baseline that has been the primary focus of our team for the past decade and though our work in this regard remains ongoing, the extreme depth pressure and near-freezing temperatures of the perpetually dark environment in which nodules sit brings some clear advantages over other ecosystems commonly impacted by metal extraction. I always say that if our goal is to supply metals with the least planetary impact, then it makes sense to go to parts of the planet where there is the least life, not the most life. And that's what we have on the abyssal seafloor, where biomass levels are measured in grams and are lower than any other ecosystem on the planet and roughly 1,500x lower than in the tropical rainforests that are the source of most new nickel production. And this lower abundance of life also has a bearing on species diversity on the seafloor.

The ocean plays host to relatively few of the world's species and at the extreme depths where our operations will take place, the lack of sunlight and other challenging conditions mean that millions of trees, plants, insects and vertebrates that exist on land are absent. But while the abyssal ecosystem exhibits relatively low levels of biodiversity compared to other terrestrial ecosystems, that does not mean that what is down there isn't important. And that's why we spent over a decade developing a very robust environmental baseline so that we can understand what could be impacted by our operations and then develop strategies to minimize those impacts as much as possible.

In July, we announced that data from 2 of NORI's offshore campaigns have been published to the Ocean Biodiversity Information System, and that NORI had become the single largest data contributor to the OBIS ISA node, providing 60% of total records. And researchers continue the painstaking process of going through the remaining biodiversity data from a further 7 campaigns, as well as data concerning ocean geochemistry, bathymetry and pelagic biodiversity. It has been fantastic to see the scientific community engage with this rich wealth of information. And for those with a keen eye, you may remember how in Q2 update, we reported how NORI's total data set had been downloaded some 300x and specific interrogations of taxa had seen NORI occurrences downloaded over 22 million times.

Well, I'm pleased to report that engagement with the NORI data library has greatly accelerated in the last quarter, and we are fast approaching 1,000 downloads of the full data set, with over 70 million downloads of NORI occurrences. Further, the localized and low lying nature of seafloor plumes also has encouraging implication in terms of limiting biodiversity impacts. As I mentioned earlier, last year's collection system test proved a historic moment in the development of this industry.

Beyond the 3,000 tonnes of nodules collected, one of the most important outcomes of the test was the ability to observe real-time impacts and generate hundreds of terabytes of infield data. This information is particularly important when it comes to sediment plumes at the seafloor. We now have multiple lines of evidence from infield verifications, sedimentation models built by leading experts, as well as through pioneering methods like thorium tracing, which paint a remarkably different picture to the one put forward by activists and in the media. And clearly, infield observed data is more powerful than speculation.

Leading experts in the field of deep-sea sediment plume dynamics, including a team led by Professor Tom Peacock at MIT and

researchers at Scripps, have found that 92% to 98% of sediment disturbed during offshore system trials conducted by fellow contractor GSR, remained within 2 meters of the seafloor. As they note in the conclusion of their study, it's quite a different picture of what these plume look like compared to some of the conjecture. And on our own ground in the NORI-D area, preliminary findings by leading experts at DHI support the findings of MIT. Our teams had over 50 monitoring stations in the water to monitor every aspect of the plume during NORI's collector trials last year. And using this data, DHI has built a model that brings some clarity to how plumes actually behave at these extreme depths.

Infield observed data indicate that the sediment plume is low lying. Over 90% of the sediment initially stays less than 2 meters above the seafloor, and the sediment plume initially forms a turbidity current, which is a gravity-driven spreading of sediment-laden water under its own weight away from the collector tracks, meaning that the plume does not waft higher into the water column, but instead follows the contour of the seafloor, behaving more like a liquid than a gas.

In this plume model by our partner, DHI, the cloud represents the plume that was generated and the colors show different concentrations, with yellow representing the highest concentration of sediment (corrected by company after the call) particles in purple, the lowest. The purple and blue bands represent sediment concentrations less than 20 milligrams per liter, which would not be visible to the naked eye. And the key takeaway here is that contrary to widespread conjecture, disturbed sediment settles rapidly, with projections indicating that impacts from the plume will be highly localized around the mining footprint and are highly unlikely to extend beyond the boundaries of the contract area. And this high-quality data is actually leading to tangible change amongst those prone to speculation.

Following NORI's presentation at an ISA side event just a few days ago, the Deep Sea Conservation Coalition, or DSCC, a lead opposition NGO against this industry changed their website wording on plumes to reduce their suggested scale of potential impact by nearly 100 times. Instead of the previous DSCC website wording plumes of sediment possibly spreading tens of thousands of square kilometers beyond the mining site, the new DSCC wording says the plumes, which could disperse over tens to hundreds of kilometers. It may look like a subtle change, but upon careful reading, it knocks two 0s off of the scale of their initial speculation. And we believe the evidence shows that they are still overstating the potential impacts.

As noted at the outset of this call, we've been encouraged by the progress at the most recent ISA Meeting in Jamaica as further evidenced by the positive commentary this week from the ISA Secretary General on how he believes the close to final form of the regulations are taking shape. This latest ISA Meeting as in prior sessions saw a clear majority of participating states expressing their continued support for negotiating robust regulations that ensure the protection of the marine environment in line with their legal obligations. 23 ISA member states, representing a relatively small minority of the 169 ISA members under strong pressure from NGOs, have called for a precautionary pause or a moratorium, or a ban on deep-sea mining, most recently the United Kingdom and Monaco.

However, the legal obligations on member states to deliver the mining code has not changed, and this obligation was reiterated in July following a compromise consensus decision reached. In fact, what we've observed on the ground in Jamaica at the ISA is a recognition from the majority of member states, including many of those in the pause or moratorium camp, that the best path forward is to finalize a robust set of regulations in a timely fashion to ensure the effective protection of the marine environment, while also delivering on their obligation to allow this industry to begin.

And this will continue to be a noisy topic, and there may ultimately be a few more that join the pause or moratorium list, but it will clearly continue to be a very small minority in the context of the entire ISA. And the truth is that there continues to be no legal basis for moratorium, and the obligation to deliver the mining code is a legal obligation and is not up for debate. As noted earlier, we maintain our previous guidance on our intention to launch our application for an exploitation contract over the NORI-D area following next year's July ISA Meeting.

On the next slide, you will see the timeline for an exploitation contract review from the draft regulations. The breakdown may change a little bit between now and our expected submission, but they should provide an illustrative guide for the review process. And again, we are encouraged by the keen interest in our ISA side events, which have allowed us to present our environmental findings to stakeholders as well as the ISA's Legal and Technical Commission, the body of experts who will be reviewing our application and making a recommendation to the ISA Council.

So, I'd now like to turn the call back to our CFO, Craig Shesky.

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

Thanks very much, Gerard.

As shared in previous update calls, this will be a very familiar slide that in March 2021, AMC Consultants issued a SEC Reg S-K 1300 compliant initial assessment of the project economics for the NORI-D area. And that initial assessment is available on the Investors section of our website, both in Excel and PDF form. And the initial assessment arrived at a net present value of \$6.8 billion at the time for NORI-D, and that was around the beginning of 2021. And running the same model simply updated for current metal prices, the net present value of NORI-D will be approximately \$8.6 billion.

Now, this is a lower valuation than what we've shown previously, due mainly to nickel prices being down approximately 40% year-to-date. And yet, that's still a whole lot of value. And that's why we're fortunate to have 4 key metals in one resource. We anticipate being able to withstand commodity cycles better than most when in production due to the high grades of these metals inherent in the resource.

Now the next page lays out some of the critical milestones that can lead to re-ratings potentially in a public valuation, even amidst a tough point in the commodity cycle. And we're still only trading at roughly 3.5% of the underlying NPV for NORI-D at current metal prices. And keep in mind, that's only roughly 22% of our total estimated resource.

Now the milestones ahead that can lead to potential valuation changes are as follows; reaching binding agreements commercially with our partners, Allseas and PAMCO, which will then feed into our prefeasibility study, the finalization of our environmental impact statement, continued progress from the ISA, which Gerard just discussed, NORI submitting an application for an exploitation contract over the NORI-D area following the July 2024 session. The ISA ultimately granting NORI an exploitation contract, and then the beginning of commercial production shortly thereafter.

And to submit an application following the July 2024 session, we disclosed in August that we'd expect to need roughly an incremental \$60 million to \$70 million of additional funding. And this was announced prior to the announcement of the Registered Direct Offering. So the proceeds from that Registered Direct Offering are expected to offset that forecast dollar per dollar, indicating a remaining funding amount of roughly \$35 million to \$45 million over that same timeframe to deliver the application.

So onto our third quarter financial results. TMC reported a net loss of approximately \$12.5 million, or \$0.04 per share in the third quarter of 2023, compared to a net loss of \$27.9 million, or \$0.12 a share for the quarter ended September 30, 2022. Exploration and evaluation expenses during the third quarter of 2023 were \$7.9 million compared to \$22.7 million for the same period in 2022. The decrease in 2023 was primarily due to a reduction in environmental study spending and a reduction on the pilot and mining test system as the collector test was completed in November of 2022, partially offset by increased spending in 2023 on prefeasibility studies, as well as mining, technological and process development activities due to engineering work which commenced in the fourth quarter of 2022, and increased spending on sponsorship programs.

General and administrative expenses were \$4.6 million in the third quarter of 2023 compared to \$5.9 million in the third quarter of 2022. The lower spending in 2023 reflects lower share-based compensation and a decrease in insurance costs. These decreases were partially offset by higher consulting costs on corporate activities and other expenses. Free cash flow for the third quarter of 2023 was negative \$12.6 million compared to negative \$9.1 million in the third quarter of 2022, reflecting an operating loss of \$12.5 million, a decrease in working capital of \$2.9 million due to timing of payments, offset with equity settled expenses of \$2.5 million and other non-cash items.

And finally, on the balance sheet. At the end of September, the balance sheet included a new asset related to the agreement with Allseas on our exclusive use of the Hidden Gem vessel. In consideration for the exclusivity, we issued 4.15 million common shares to Allseas on August 14, 2023, and recorded a right-of-use asset with an unamortized value of \$6.2 million. At September 30, 2023, TMC held cash of \$22.5 million and held no debt. Total pro forma liquidity stands currently at \$56 million, including cash, our upcoming



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additional closings of \$9 million on the Registered Direct Offering from ERAS Capital and the \$25 million Allseas undrawn credit facility. And we believe that this liquidity will be sufficient to meet our working capital and capital expenditure requirements for the next 12 months from today with respect to committed amounts.

I would now like to turn the call back over to Gerard just for some quick closing remarks, and then we will open it up for Q&A.

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

Yes. Thank you, Craig.

So in closing, it certainly feels good to see how much progress we continue to make. And finally, we're at a stage where the results of our hard work over the last decade plus on the environmental and social impacts can be shared openly with stakeholders around the globe and we're delighted by those initial reactions. In the quarters ahead, I can promise you this; we will remain laser focused on the key deliverables in front of us, being prudent with our cash and achieving what we say we're going to achieve in a transparent manner. As the first contractor expected to launch an application for the mining of the seafloor resources in international waters, the world should expect no less.

I would like to extend my sincerest thanks to my entire TMC team, to our extensive network of highly skilled partners and contractors and of course to our Sponsoring States of Nauru (corrected by company after the call), the Kingdom of Tonga and Kiribati. To the team of highly skilled engineers designing our new offshore collector system at Allseas, thank you for your dedication to this very important project. And thanks to everyone who tuned in for your interest and attention.

And with that, we'd like to turn it back over to the operator for some Q&A.

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### **QUESTIONS AND ANSWERS**

#### **Operator**

(Operator Instructions) Our first question comes from the line of Matthew O'Keefe with Cantor Fitzgerald.

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#### **Matthew Dennis O'Keefe *Cantor Fitzgerald Canada Corporation, Research Division - Research Analyst***

Good afternoon. Thanks for taking my call, and providing that extensive overview. A lot of work has obviously been done. I'm just pausing here on Slide 21, which is the regulatory update. And you've highlighted 23 member states out of 169 publicly expressing reservations, which is great that you actually did highlight that. But I'm just wondering if you can provide any kind of sense of -- there's a lot there. I mean I've heard Canada and I've heard France come out. But the other nations, is there a common theme among them? And do any of these hold more sway or less way within the assembly than others? And what's to prevent more delays? And not to say that the last delay was politically motivated, but I was just wondering if you can add a little more color around this.

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

Yes. Happy to provide some, and Gerard, happy for you to weigh in as well. I think a takeaway is, look, there is sometimes a gap in what is said coming out of, let's say, a President or Prime Minister's office versus what you sometimes see on the ground in terms of everybody focused on rolling up their sleeves and delivering what the ISA is mandated to deliver, which is a mining code, which protects the environment from serious harm, but does allow this to go forward. This isn't a question of "if," it is a question of "when."

And the future exploitation of the resource has always been contemplated, and that's why the ISA has had a dual mandate to first put in place the exploration regs and now to deliver those exploitation regs. So in terms of who has more or less influence, we may not get into that, but suffice it to say what we did see in July from a lot of the member states, even some of those who are on the list of supporting ostensibly a pause or moratorium, a real good faith effort to say, look, here's the additional time that we need to push this forward.

We need an additional 3 meetings, we think. And there was a view that providing this additional time to them by TMC and noting that we had a recommendation from the Legal and Technical Commission to do some additional environmental work, which we are embarking upon, that would be the right path forward. So, we do see that the statements that you sometimes see from those 23 member states



don't always line up with the reality of how hard they continue to work on the ground at the ISA.

Gerard, I'm not sure if you want to add anything to that. We may have lost the connection, but that's okay. And with respect to other states, I think you should expect going forward, while we continue to hear a lot in terms of those who might take a position against it, they do represent the minority. What we are seeing now is that out of the more silent majority, you're getting more states that are pushing ahead. And also, we would expect to see some additional states perhaps coming out in support and trying to be sponsoring states themselves. So as we get closer to final regulations, I think we can expect it's not just going to be the voices coming from one side that are yelling the loudest, but a more varied approach in public opinion.

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**Operator**

Our next question comes from the line of Dmitry Silversteyn with Water Tower Research. Dmitry, you may be on mute. (Operator Instructions)

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

As we're waiting for that to compile, we have a question in the chat from Christian Hornbeck. At current projections, if nothing changes negatively, when do we expect the company to turn a profit?

I think you can expect to see a lot more detail on what the economic model is going to look like as we release some of the results from the prefeasibility study. We do expect that even with the first vessel at relatively small scale, that it won't take very long for us to be free cash flow positive on that vessel. But we're going to allow ourselves a little more time to put that pen to paper, and you can expect quite a bit more detail on that coming up in the first half of 2024.

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**Operator**

We have a question from the line of Dmitry Silversteyn with Water Tower Research.

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

Looks like Dmitry might be having some technical difficulties. So could we see if there are any else on the audio queue? And I'll also have a look at the Q&A chat online.

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**Operator**

I'm not showing any further questions from the phone at this time.

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

There's a question online from Timothy Burn. What has been done with the processing of the 22 tonnes of nodules sent to Japan and the remaining 3,000 tonnes of nodules?

That is a good question, and we get this one a fair amount. The 22 tonnes that we delivered to Pacific Metals in Japan have already been used to really show that they can use their existing facilities to produce the intermediate products such as a nickel, copper, cobalt alloy and the manganese silicate product. So, that 22 tonnes is really instructive and giving us confidence both on our side and PAMCO's to potentially take that next step and enter into a binding agreement. And again, all of that would roll into our prefeasibility studies as well. So that 22 tonnes has already done quite a lot in showing and demonstrating the viability of this capital-light approach with PAMCO in Japan.

In terms of the remaining roughly 2,980 tonnes, before we have our exploitation contract, we cannot commercially sell those. So, we do have them. We won't say specifically where they are at any point in time, but we are using that massive sample to potentially share with potential strategic partners and make sure that others who want to be able to do some test work on the nodules can use this as a sample. But there is no ability for us to sell those nodules prior to being in commercial production with an exploitation contract.

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**Operator**

(Operator Instructions)

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

So, Dmitry is able to get in touch via the chat. The question is on the \$9 million still to be collected on the capital raise. What's the timing of that and why the delay?

As we negotiated this, and there's some detail on it back in August when we released it. With ERAS Capital, they had a view of wanting to participate at \$2 a share. But for reasons in terms of portfolio construction and some of the other positions within ERAS Capital, it made sense to fund it in this staggered approach. We would have approximately \$2.5 million of that funding coming in expected by the end of November and then the other amount to be received in the month of January of \$6.5 million. But, of course, ERAS Capital remains our largest shareholder. Andrei Karkar, his family office. He's on our Board of Directors, and has consistently been a great supporter of us as has our partner, Allseas, in terms of these recent capital raises that we've done. So, that was the reason for it and some additional context beyond that.

Now, the operator, if you don't mind giving a call back to Gerard, he should be able to get back in here and I'll take a few more questions from the chat.

Another one from Christian Hornbeck. With China active in the Pacific, is there any concern that they might begin mining illegally? Is this going to be an issue?

What we would say is it's very constructive the way that China is behaving with the ISA. They are more engaged, certainly, as we've seen over the last couple of years. And as highlighted in The Washington Post article from October, they are really using their sphere of influence to make sure that regulations are put in place. So, we're not going to speculate on what they may or may not do in the future, but we would say that the work that they've been doing at the ISA in Jamaica continues to be constructive.

And then from Dmitry Silversteyn at Water Tower Research. With the post-collection test campaign, when will it be undertaken? How long will it be at sea? And then how long before the data is shared?

Good questions there as well, Dmitry. We are not giving specific data on when the campaign is launching, part of that for security reasons. But it will be at sea for a good amount of time. And I would say, we do already have some sense of what the environmental regeneration in the collector test area might look like, in part because we were there for, effectively, a month following the collector test last year and measuring some of those post-disturbance effects. So, we do anticipate that what we're going to see out of this post-mining campaign is going to further add to the quality of our application, and we don't expect there to be any showstoppers. But of course, we're going to see what the research brings us. You can expect that some of the initial results likely start rolling out probably towards the end of Q1 next year and then quite a bit more of it in the second quarter, as all of that then rolls into our environmental impact statement as a prerequisite for application for an exploitation contract.

We might take one more from the chat. And then if the operator can check if there's any other questions in the queue on the phone.

Ray Figueroa, is there a possibility that China will also submit an application in July of 2024?

I think what's important to keep in mind here is, in terms of the technology to collect the nodules, that's something that we see a lot of parties potentially able to do and investing in it. And it's not just China. Norway is investing heavily in this, and you're seeing some individual companies, mainly in the offshore oil and gas space, not only Allseas but Transocean and others who are devoting assets here. So the technology is not necessarily where the competitive advantage is. Where the competitive advantages is, is having a great resource, having a resource that's very abundant and high grade, but also having a team that's been willing to, over the course of the last decade plus, focus so much on resource definition and environmental work.

If China were to want to submit an application, there is a prerequisite to have at least 3-plus years of environmental baseline data. So, that's not something that you can really accelerate. That's not something that you can say, well, we're going to try to compress that down into a couple of months. You really have to put your equipment out there and then just observe it for a while and set a baseline to then

measure your operations and what those impacts would be against that baseline. So, that's the element that would make it unlikely for China or frankly, any other contractor to submit an application within several years of TMC submitting it.

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**Operator**

(Operator Instructions) I'm not seeing any phone questions at this time.

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

And then we'll take one more question from the chat.

David Larkam at Edison Research. What's the likely cost of the additional offshore campaign? And is it within the guidance of cash flow for the requirements for the application?

Yes, David, it is within our guidance, saying that what we need to deliver that application following the July 2024 session. That amount of the initial guidance would be offset dollar for dollar for the capital raise that we've announced. So assuming that \$23.5 million of net proceeds, that would leave you in the ballpark of \$35 million to \$45 million of funding remaining. That does incorporate all of the costs anticipated for this post-mining campaign. In fact, the timing of our announcement for the capital raise did coincide with us deciding for certain based on feedback from the Legal and Technical Commission that, look, if this is a campaign that needs to be done, let's go out and make sure that we raise funding to keep the project on track, and most of that funding was raised with a view to spend it on the post-collection test campaign. So that is within our estimates. That's within the guidance we provided, and we're happy to be kicking that off very soon.

Are there any more questions on the line?

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**Operator**

No questions on the phone lines at this time.

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

Very good. Well, everybody, thank you for your attention. Sorry to those who may not have been able to answer -- or excuse me, ask a question, but feel free to reach out. You can reach out to us directly through our website or [investors@metals.co](mailto:investors@metals.co) and we'd be happy to follow up. Thanks again for your attention. And we look forward to chatting with you soon on our next quarterly update call in March, and a lot of progress to be reported between now and then.

Thank you all very much.

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**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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