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TMC.OQ - Q2 2022 TMC the metals company Inc Earnings Call

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

CONFERENCE CALL PARTICIPANTS

Malcolm MacDonald

PRESENTATION

Operator

Good afternoon, everyone, and thank you for participating in Metals Company's Second 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 the Chief Financial Officer, 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*

Thank you, Norma.

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 second 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 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 statement.

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. This slide deck is now 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 second quarter 2022 corporate update.

You are welcome to follow along with our slide deck, or if joining us by phone, you can access it at any time at investors.metals.co.

Today, we'll take you through the highlights from Q2, a discussion of recent market and regulatory developments, an update on the NORI-D project, expected upcoming milestones for the company and financial updates.

Well, it's been an intense and action-packed quarter for us on several fronts. Most of the action for us has been offshore. We have been planning and mobilizing for the most complex campaign we have ever attempted as a company, our collector test and environmental monitoring campaign in the CCZ. It requires coordination between three vessels and over 250 people across dozens of organizations.

And onshore, we wrapped up the analysis of our pyrometallurgical pilot work and progressed our bench-scale refinery test work. And in May, we released our inaugural Impact Report, which lays out why we're on this mission, what we expect our future impacts might be and what we can do to manage and mitigate them.

Intensity is also ramping up at the International Seabed Authority as they work towards final exploitation code. They just finished a month-long session and will meet again in November '22, in March 2023 and again in July 2023. And combined with intersessional working groups, we're confident that the regulations remain on track.

Our cash balance as of March 31 was \$46 million. In light of certain inflationary developments, this too required mobilization on our part.

During quarter 2, we have seen inflation to the -- in the cost of our offshore collector test environmental monitoring campaign. And to deal with these impacts and to ensure we keep at least a 12-month cash runway in front of us, we raised a \$30 million committed PIPE financing.

Approximately 70% of the committed funds came from existing TMC shareholders, including Allseas; ERAS Capital, who are the family office of our Board member, Andrei Karkar; SAF Group Managing Partner, Brian Paes-Braga; Front End Chairman and CEO, Majid Alghaslan, my family and myself. We've also welcomed some great new shareholders to the company.

This additional cash also provides us the strength and flexibility to continue exploring options to raise capital at the asset level, including royalties, offtakes and earn-in structures. Protecting shareholder equity is front of mind for us. And of course, we would have preferred to raise this funding at a much better valuation, but we are glad to get this injection of cash and confidence into the company.

Going forward, we will continue to tighten our belts and have identified areas of potential cost savings as we remain laser focused on devoting every possible dollar to the work leading up to our exploitation application over the NORI-D area.

So previously, we have started our earnings call with a recap of the TMC value proposition. I'm pleased to say that recent regulatory developments in the U.S.A. have made this recap very topical. TMC is developing the largest estimated potential source of battery metals on the planet. We believe our portfolio alone has sufficient estimated in situ quantities of nickel, copper, cobalt and manganese to electrify 280 million midsize EVs. About the size of the entire U.S. passenger fleet. And with all of the raw material inflation squeezing automakers, this is the right time to be developing a resource that can actually move the needle for them.

The resource is also secure. The jurisdiction and proximity of this resource to the U.S. is becoming increasingly important, as we will discuss in a moment. And we expect our production cost to be low as nodules contain high grades of 4 metals in a single resource, which could put us firmly in the bottom quartile of the C1 nickel cost curve at steady-state production.

And importantly, we also expect to significantly compress the environmental and social costs compared to land-based miners. No social displacement, no deforestation, no digging, no blasting, no drilling and no child labor. And importantly, no tailings. We anticipate much lower carbon impacts compared to land-based miners and nearly zero solid waste.

And finally, even despite the recent tempering of the earlier rally in metal prices, we see a large increase in the expected net present value for NORI-D - the first project we are developing. Using the initial assessment done by AMC and updating to current metal prices, the estimated net present value for NORI-D would be \$15 billion, all other inputs being equal.

So last week, both the U.S. Senate and the House of Representatives passed the Inflation Reduction Act of 2022. Among other goals, the act stipulates a rather muscular set of measures to lessen current reliance on China and to re-shore the EV supply chain in North America. The energy security issue this act takes on is now well understood. China has established a stronghold on the EV supply chain at every step.

And when it comes to mining, cobalt may be coming from the DRC, but projects are often Chinese controlled. Nickel may be mined and processed in Indonesia, but it is heavily reliant on Chinese investment. So China dominates metal refining and battery cell production.

And while the act contains a \$7,500 tax credit on new EVs, this credit comes with two types of limitations. First, the EV credit would be disqualified if any critical mineral mining, processing or manufacturing for a battery is done by a foreign entity of concern.

There are 10 countries on the current list, including China and Russia, and this requirement takes effect in 2024 for the battery components and in 2025 for critical minerals. So if you want to qualify for the tax credit, you would not be able to use Russian nickel, which represents 20% of battery-grade nickel, or Chinese critical minerals or battery components, which represent most of existing supply.

The second set of requirements to qualify is about where the critical minerals like lithium and nickel and cobalt should come from. Starting in 2023, 40% of these minerals in the EV battery must be mined, processed or recycled in the U.S. or a free trade partner. And this ramps up over time, hitting 80% in 2026.

Only 20 countries currently have free trade agreements with the U.S., and this list excludes the largest nickel producing country being Indonesia, and the largest cobalt-producing country being the DRC. So this creates favorable conditions for nodules in the Clarion-Clipperton Zone as they could be easily transported for processing and refining in the U.S.

We have been actively exploring for our first full-scale plant. Alternatively, we could now also locate processing and refining facilities in American free trade partners like Canada, or Mexico without losing qualification for the new EV tax credit.

It's worth reminding everyone that nearly all net supply growth on land for nickel is expected to come from Indonesia. The majority of which has been locked up already by China through offtake agreements. Given that Indonesia is not an American free trade partner, nickel from Indonesia would not qualify U.S.-manufactured EVs for tax credits. There is also a risk that Chinese control of nickel projects in Indonesia could disqualify EVs made with their nickel and cobalt from tax credits.

Further, Indonesia's strategy is to keep more and more of the nickel supply chain in the country. Back in 2014, it banned nickel laterite ore exports, forcing domestic production of NPI, nickel pig iron, and ferronickel. Then partially reversed the ban in 2017, and then banned ore exports again in 2020 for good. So these flip flops caused repeated turmoil in the nickel market and left processing facilities in countries like China, scrambling for feedstocks.

Last week, the Indonesian Investment Minister confirmed that thousands of mining permits have been revoked, including over 100 permits for nickel mines in an effort to tighten governance on the mining sector. And now Indonesia is planning new export taxes on nickel that would incentivize battery-grade nickel sulfate production in the country, instead of exporting precursors like NHP or nickel matte.

If implemented, this export tax would effectively eliminate any scope for re-shoring nickel sulfate production in the U.S. or its free trade partners using Indonesian nickel as feedstock. However, there is one resource that can truly move the needle for the U.S. automakers and is conveniently located off the U.S. Western seaboard.

If you look at where critical mineral resources are, you can see that the total estimated CCZ nodule resource is not only bigger than the reserves of the U.S. free trade partners, but bigger than all of the land-based reserves combined. This is true for nickel, it's true for cobalt and it's true for manganese.

So if we now look specifically at the size of the estimated CCZ nodule resource in the TMC portfolio alone, we believe there is enough in situ resource of nickel, cobalt and manganese to electrify the entire U.S. passenger car fleet. And following the passage of the Inflation Reduction Act, that U.S. passenger car fleet has a narrowing set of options on land to electrify in a cost-effective manner.

So previously, we've shown this comparison of the world's largest nickel producers stacked up against the largest undeveloped nickel projects. NORI and TOML are individually bigger than any other undeveloped projects. But now the flags underneath the bars carry significant consequences.

If you look at the existing operations, none of them would help qualify for the U.S. EV tax credit. Both China and Russia are foreign entities of concern, and Indonesia is not a free trade partner. So if you look at the largest undeveloped nickel projects, Indonesia won't help for that tax credit. The U.S. and Canadian nickel projects are in order of magnitude lower grade compared to the TMC portfolio and often face significant permitting risk, with the largest U.S. nickel project seeing its federal permit rejected in 2021.

And in addition, ESG rating agency MSCI estimates that 97% of all nickel reserves and resources in the U.S. are located within 35 miles of Native American reservations and many proposed projects risk infringing on areas of cultural and environmental significance. If it wasn't already clear, it should be now. There is simply no path for the U.S. to satisfy its expected nickel need from domestic sources. And we believe nodules are the obvious choice, and the list of those who share this conviction is growing.

Most recently, we've seen Admiral Blair make the case in the Wall Street Journal that, "Securing new supplies of battery-grade nickel should be a priority for achieving America's energy security goals, and that supply options include vast sources of nickel contained in polymetallic nodules."

We also continue to see increasing concern over the impacts of nickel from Indonesia. Tesla, who've been rumored to be negotiating with the Indonesian government, was targeted by NGOs, urging them not to proceed on environmental and social concerns. And the OEMs who have confirmed their interest in Indonesian nickel now include Volkswagen, Ford and GM, a testament to the lack of producing or rapidly deployable nickel assets outside of Indonesia.

Some of this interest comes as nonbinding MOUs. And now that the IRA critical minerals requirements are clear, these OEMs might be having second thoughts about using Indonesian nickel in their EVs for the U.S. market.

Last quarter, we released our first Impact Report. We are an impact-driven company. So we felt that our inaugural Impact Report was the right place to tell the full big-picture story of who we are, why we exist and how we go about delivering on our mission.

It also contains a more conventional section that gives you an insight into our impacts and initiatives to date. If you are interested in understanding us as a company better, I highly recommend reading this report. We started work on industry-level life cycle assessments back in 2018 and have relied on published peer-reviewed LCAs to quantify how metal production from nodules would compare to conventional production.

And on this page, you'll see an example of life cycle impacts for 1 kilogram of nickel. As our project development matured further, in Q2, we commissioned Benchmark Minerals to run an independent LCA analysis for our NORI-D project and compare that to their global database for land-based battery metal projects. This is a formidable undertaking as BMI is looking at multiple impact indicators for each of the 4 battery metals, and we expect to be in a position to share the results of their work later this year.

Now shifting gears to the regulatory update. Our activities in the CCZ are regulated by the International Seabed Authority, the ISA, an intergovernmental organization that was established in 1994 based on the United Nations Convention on the Law of the Sea or UNCLOS as we know. All land-based mining projects fall under jurisdiction of a single sovereign. And by contrast, the ISA's mandate is global in nature, as it's supported by 167 sovereigns, plus the European Union.

On this map, you can see parties and signatories to the convention. With the notable exception of the U.S.A., most countries are member states of the ISA. The U.S.A. has an observer status and is actively engaged in the process.

In its 28 years of existence, the ISA has developed exploration regulations and granted and has overseen 19 nodule exploration contracts. It is now in the final stages of developing the exploitation regulations. The advantage is, once in place, the exploitation regulations and the standards and guidelines, the commercial phase of the industry, will have been painstakingly agreed by most of the world's countries.

The ISA started working on the exploitation regs in 2014 and had to postpone its July 2020 goal to finalize these regulations due to COVID. Following the action by the Republic of Nauru last year, the new target has been set for July 2023, and the ISA approved a work plan for 2022 and 2023 that included an increased cadence of meetings. The ISA Council is expected to meet again in November '22 in March 2023 and again in July 2023, along with intersessional working groups in order to complete their drafting of the regulations.

The most recent month-long in-person ISA working session took place in Kingston, Jamaica from July 4 until August 5. And there was strong in-person participation from states, including constructive participation from the Chinese delegation, which attended in person for the first time since pre-COVID. And we believe the increased participation and engagement reflects the progress being made and the importance of the development of this regulatory regime.

I'd now like to turn it back to Craig to speak a bit about the project economics.

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

Thank you, Gerard.

And very quickly, too, just to correct something said earlier. The \$46.3 million of cash was at the end of June 30, as I'm sure most of you assumed.

But now back to the slide deck. This page zooms in on some of the key attributes of the NORI-D area, our first project, which represents just 22% of our total estimated resource. While TMC's current market cap is certainly disappointing to us, resource companies looking to grow their battery metal portfolios were typically focused on the size and quality of this underlying resource. And on that basis, a massive and high-grade project like NORI-D is truly rare.

NORI-D alone will be the largest undeveloped nickel project in the world, without even considering the rest of NORI and TOML. And it's a project into which we've already invested over a decade of work and approximately \$250 million.

As Gerard mentioned earlier, we're exploring options to raise capital at the asset level, which might include royalties, offtakes or earn-in structures. And earnings specifically, if pursued, could be a way for a resource company materially to grow their future battery metal portfolio and a way for us to potentially raise funds without having to issue equity at the holdco level.

Now as shared in previous update calls, in March 2021, AMC Consultants issued an SEC regulation S-K 1300 compliant initial assessment of the project economics for the NORI-D area. This 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.

The initial assessment arrived at a net present value of \$6.8 billion for NORI-D at the beginning of last year, and that assumes \$7 billion of project development CapEx. Our announcements earlier this year with Allseas and Epsilon Carbon provided a roadmap of how our capital-light approach can help develop this project.

Now running the same model, simply updating it for current metal prices, as Gerard said earlier, the NPV of NORI-D today would be approximately \$15 billion, which again is just 22% of our total estimated resource. But how are we going to start unlocking that? Well, we put together this next page, which lays out some of the milestones which we believe will be key steps towards unlocking that massive potential of the NORI-D project, and not to mention, the rest of the portfolio.

These milestones include the upcoming collector test, of course, in the NORI-D area over the coming months, the ISA's finalization of regulations with a target of July 2023, our application and eventual grant on an expected basis, an exploitation contract and the beginning of commercial

production shortly thereafter. If this project were on land with the same size resource and grade and stage of development, we believe some of the value to be unlocked from those upcoming milestones might already be baked into TMC's market cap.

To that example, Page 43 of the slide deck filed with the SEC on March 4, 2021, alongside the business combination announcement, laid out comps to other preproduction metal companies, some of which were trading between 20% and 60% or higher of net asset value. And yet, despite being at mid-prefeasibility stage, our record cap would imply that we're trading at just over 1% of the fundamental value of the NORI-D area at current metal prices.

We feel like the path is now clearly laid out in front of us, and that these milestones should tell us to take steps upward towards that fundamental value.

Gerard, back over to you.

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

Thanks, Craig.

We wanted to briefly remind you of the strategic developments announced in March that can potentially allow us to get into production in a capital-light manner.

Project Zero is our first small-scale commercial production project expected to collect and process 1.3 million wet tons of nodules annually from the NORI-D area. In March, we signed a nonbinding term sheet with Allseas and a nonbinding MOU with Epsilon Carbon. We continue to work closely with Allseas on the Project Zero commercial arrangement, and we're pleased to receive their vote of confidence through a commitment in the \$30 million pipe financing announced today. We're also making good progress with the team at Epsilon Carbon and are happy to report that a suitable site has been identified for Project Zero plant in India.

During our last call, we reported on the progress of the pilot collection system, including the harbor wet test, the dynamic positioning trials and the drive tests of the collector vehicle in deep water on the sea floor of the Atlantic.

In May, we announced that engineers aboard the Hidden Gem deployed the flexible jumper hose, connected it to the base of the riser and then launched the pilot riser, lowering the assembly to a depth of about 650 meters. And using the Hidden Gems' ROV, engineers then made a subsea connection between the jumper hose and the collector vehicle, which was previously deployed to the sea floor in 745-meter water depth. Allseas used the former drillship's derrick for at-sea construction of the pilot riser system, which will ultimately extend to 4 kilometers deep.

So this progress keeps us on track to test the system in the CCZ commencing this quarter, when nodules in our contract area will be gently lifted off the seafloor and sent to the Hidden Gem on the surface through the airlift riser system. And I was pleased to visit the Hidden Gem recently in Mexico and see the elements of this integrated system myself. And I've got to say it is so incredibly exciting, and we're going to play you a short clip from that visit.

(presentation)

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

It was pretty cool. Turning to our environmental program. Our environmental motto is to let the science do the talking, and we now have some of the most credible and well-respected voices in the world of ocean research to help craft our environmental management and monitoring plan or EMMP.

In July, we announced that we had retained CSIRO and the NIWA and others in a scientific consortium. CSIRO is Australia's National Science Agency, and they are well known for many accomplishments over the last 100 years, one of which is helping to design the Great Barrier Reef restoration and adaptation program in 2018. And NIWA is New Zealand's leading offshore environmental management agency, with a dozen of their scientists receiving a share of the 2007 Nobel Peace Prize with other contributors to the intergovernmental panel on climate change.

The scientific consortium will leverage TMC's baseline data to help to develop appropriate indicators and tolerance limits to safely and responsibly collect seafloor nodules. And this work will also form the scientific basis of our future adaptive management system, including our digital twin, which will give eyes and ears on our operations to our regulator and stakeholders.

I will now play a short clip, where you can see and hear about this amazing program from Dr. Greg Stone, who's our Chief Ocean Scientist and the former Chief Scientist for Conservation International.

(presentation)

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

So as you can see from the light blue bullets on this page, we've already completed many of our stated 2022 milestones, and we will keep our foot down on the pedal for the rest of the year as well.

So with that, I'll turn it back over to Craig to speak on TMC's second quarter results.

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

Thank you, Gerard.

In the second quarter of 2022, TMC reported a net loss of \$12.4 million or \$0.05 per share compared to TMC's net loss of \$29.1 million or \$0.15 per share for the second quarter of 2021. This net loss for the second quarter of 2022 included exploration and evaluation expenses of \$9.9 million versus \$18.2 million in the same period last year, general and administrative expenses of \$8.3 million versus \$10.4 million in the same period last year, partially offset by a decrease in the value of our warrants of \$5.7 million.

Exploration and evaluation expenses decreased in the second quarter of 2022 compared to the same period in 2021 as a result of the decrease in offshore campaign activity following the completion of NORI Area D environmental baseline campaigns in the fourth quarter of 2021, a decrease in share-based compensation and an increase in the expenses incurred on the trials of the pilot mining test system.

General and administrative expenses decreased in the second quarter of 2022 compared to the second quarter of 2021, reflecting a reduction in share-based compensation and a reduction in communication and advertising costs, partially offset by higher personnel, legal and other expenses associated with being a public company.

Excluding nonrecurring items, free cash flow for the second quarter of 2022 was negative \$22.9 million compared to negative \$6.6 million in the second quarter of 2021. The significant cash payments made during the quarter were the second milestone payment to Allseas of \$10 million and final payments to Maersk for our offshore campaigns of \$5 million.

Looking at the 6-month period, TMC reported an operating loss of \$34.2 million and a net loss of \$33.5 million or \$0.15 per share for the 6 months ended June 30, 2022, compared to TMC's net loss of \$84.9 million or \$0.44 per share for the 6 months ended June 30, 2021.

The net loss for the 6 months ended June 30, 2022, included exploration and evaluation expenses of \$17.3 million versus \$56.3 million for the same period in 2021, G&A expenses of \$16.9 million versus \$27.8 million for the same period in 2021, partially offset by a decrease in the value of our warrants of \$0.5 million.

Exploration and evaluation expenses decreased in the first half of 2022 compared to the same period in 2021 as a result of a decrease in offshore campaign activity following the completion of the NORI Area D environmental baseline campaigns in the fourth quarter of 2021, a decrease in share-based compensation, partially offset by an increase in the expenses incurred in 2022 for the PMTS trials and monitoring survey work in advance of PMTS work in the Clarion-Clipperton Zone. PMTS is 'pilot mining test system.'

General and administration expenses decreased in the first half of 2022 compared to the same period in 2021, reflecting reductions in share-based compensation, communication and advertising, and consulting fees related to the business combination, partially offset by higher personnel, legal and other expenses associated with being a public company.

Excluding nonrecurring items, free cash flow for the first half of 2022 was negative \$38.6 million compared to negative \$14 million in the same period of 2021. The increased cash spending in the first half of 2022 include payments made for various offshore campaigns, including \$10.5 million to Maersk, \$10 million paid to Allseas as their second milestone payment, and increased payments for environmental monitoring costs and PMTS trials.

I'd now like to turn the call back over to Gerard for some closing remarks, and then we'd be happy to open it up for any questions.

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

Thanks, Craig.

So first of all, I'd like to thank our team for their commitment and efforts in this revolutionary and truly historic endeavour. I'd like to thank our shareholders and our partners, many of whom have committed more capital to the project to standing firm alongside us. And while this year has been undoubtedly a tumultuous chapter in the company's story, we're excited to turn the page to the dawn of this new industry, which will produce immense benefits for our shareholders, our team, our stakeholders and for the common heritage of humankind for many decades to come.

The pieces of this puzzle are falling into place. The ISA is pushing ahead, targeting July of next year to finalize regs. We are embarking on a fully integrated collector test to demonstrate ours' and Allseas' technology. And we have engaged some of the brightest people and brands for our environmental and social impact assessment.

And political leaders in the U.S. are laying out a clear choice for automakers, find sources for battery metals like nickel and cobalt outside of the borders of Indonesia and the DRC, China and Russia and others, or risk losing substantial EV incentives. In short, it couldn't be a better time to be developing the #1 and #2 largest nickel projects on the planet.

Thank you for your interest and attention. With that, we'd like to turn it back over to the operator for any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Craig Shesky - TMC the metals company Inc. - CFO

Actually, there is some that came through the chat. There's one from John Almon. Does the company plan to get additional exploration contracts from the ISA beyond the 3 that they already have? And are there additional blocks available now? And how does it relate to the reserve areas, the areas of particular environmental interest in the Clarion-Clipperton Zone?

Gerard, do you want to provide some commentary on that?

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

Yes, absolutely. Thanks, John. As of today, there are no plans to push forward with new areas.

And are there blocks available? Well, there are. But the one thing we've learned about the CCZ is that while the grade of nodules is very consistent, the abundances are not. And so we believe that many of the unclaimed areas may, in fact, be not as economic as the ones we have. So we have a lot of resource, 1.6 billion tonnes, and we're pretty happy with where we're sitting there at the moment.

Operator

And next question comes from the line of Malcolm MacDonald from ML.

Malcolm MacDonald

Two quick questions. One, what is the estimated cost to get into production? And then number two, where else outside of the United States are you looking at creating processing facilities and (inaudible)?

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

Hi Malcolm, well, in answer to your first question, we think it's circa \$100 million. And so that is what's required to -- on top of our current funding to move into production. But the good news is the spending of that money would not be called for until after the code is in place. And so we do think the final regulations being adopted are major valuation changer for this company and for this industry.

In answer to your second question, look, we have been thinking about the answer to that question for many, many years. We know that the messages that are coming from the U.S. government are consistent with the messages coming from other nations as well. I happen to be in Saudi Arabia at the moment. And if you study the Vision 2030 plan, it's fascinating. They understand that metals will be important to their future, and I think you'll find the same for every developed country around the world.

And so a big influencer in where we will locate those processing plants will be government support and the cost of the funding. And of course, as Craig and I both mentioned in our presentation, we will explore every avenue, including the very conventional farm-in type arrangements that resource companies use to develop projects. And the size and quality of this resource is unmatched, as we've said. And so that makes it a great conversation starter.

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

Thank you, Malcolm. It dovetails into a question that we have in the chat room, Eitan Karsch from Wedbush. What are your future financing plans?

So I think Gerard just touched on it. Look, we're always going to be opportunistic. And as conditions change, we'll re-evaluate. But certainly, one of the attractive elements of the transaction that we announced today was that it does give us that runway. That runway past the point when the ISA is targeting the final exploitation regulations and gives us a lot more breathing room to pursue some of the other asset level-type financings that should be available to us in the coming months.

So Norma, we might turn it back to the question queue.

Operator

(Operator Instructions) And I'm currently show no further questions in the queue at this time.

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

So we'll go to the questions in the chat. Feel free to keep on populating those. Another question from John Almon. Does the net present value include the total cost of processing the nodules?

The answer is yes, it does. So for more information, we encourage you to go to the NORI initial assessment and the TOML resource statement available at investors.metals.co. And you'll see some of the assumptions, both in terms of capital costs and operating expenses that went into those NPVs.

So the \$6.8 billion NPV that was released in the first quarter of 2021 from AMC Consultants in that document included roughly \$7 billion of preproduction CapEx. And again, we expect to significantly reduce that with our capital-light approach. And it also included the OpEx assumptions that are available in that model.

So yes, the NPVs that we mentioned, the \$6.8 billion from AMC Consultants, which we believe would be \$15.2 billion today for NORI-D, updating just metal prices, include full processing costs.

Operator

(Operator Instructions)

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

I see Ingmar Hendriks has asked a question there, Craig. I'd be happy to answer. Ingmar asked, earlier in the presentation, a claim was made to reduce spending. Please specify some examples where costs can be reduced.

Look, we have always run this business very leanly. We don't have a large corporate office overhead, something that we were once upon a time looking to change and then, of course, came COVID, and we were very grateful for not having it. And going forward, there is no doubt that we will be wanting to bring the team together. At the moment, we tend to operate ourselves, and we use shared office services as required.

I think when you look at the work program that we do, it is very heavy. And a lot of the cost reduction has fallen on the shoulders of the team, who I thank today, because we did plan on adding significant personnel to enable us to carry out this work program. And we just haven't been able to afford to do it. Yet we've maintained our ambitious program. And for that, I really do thank our team.

And we run this business in a very, very tight cost control manner. And certainly, there are no pay rises. We look for every single dollar, and we've taken out every bit of consulting expense. We've talked to our advisers. We've looked for -- under every stone, without compromising our ability to get the job done. And the job is to complete the pre-feasibility work that allows us to submit an application.

I also see a question from Bill [Biesanz] (added by company after the call) there Craig, asking what's the status of any pending litigation? And what kind of effect will this have on the company?

We -- well, of course, there was a class action filed, and we were fortunate enough to have one of the world's leading law firms put together a defense for us, which they did on a contingency basis. And you can read the response that's filed in the courts.

Personally, I thought it was a it was a well-prepared response that gave me a lot of confidence reading it, and we remain confident and hopeful that that can be dismissed.

Craig Shesky - TMC the metals company Inc. - CFO

There was also a question now from David Carr in the chat. Is there any incentive to bring forward production from a current plan of late 2024?

Look, I think the answer on that is we wouldn't believe so. We are, of course, doing all the work necessary to put us in a position to apply to the ISA for an exploitation contract with that late 2023 time line, assuming the final code's in place. And then from that point, the ISA has a process of roughly 315 days for reviewing our application. But the good news about a project like this, certainly not something that you'd see on land, is that there's not a bunch of fixed infrastructure to go out and fund and construct prior to beginning production.

Our first production system is that pilot collection system that you saw a video of earlier. So we anticipate that upon successful exploitation contract grant from the ISA over the NORI-D area that we could begin production very shortly thereafter in a manner of a couple of months.

And Norma, I see that's it for -- I checked one more time in the chat. Yes, that's it for our questions. So we might turn it back over to Gerard.

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

Yes. Well, just before we do, I see a couple of people asked about the -- will TMC be delisted because our price is under \$1?

NASDAQ are very clear on that. You have 30 days to rectify it, then you receive a notice and you have 6 months to rectify it. We're very confident that shareholders will start to see the true value that lies behind the equity. And there are well-proven paths that companies can take if, in fact, they find themselves through stock consolidations.

It's not something that we're concerned about. But we're working very hard to make people see the value in the company, and that's by delivering on our milestones as we move towards first production.

Okay. So thank you for taking the time to join us today on this conference call, and we look forward to sharing even more progress on our third quarter corporate update in November. Thank you very much.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect. Everyone, have a wonderful day.

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