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Q4 2023 TMC THE METALS COMPANY INC EARNINGS CALL

EVENT DATE/TIME: March 25, 2024 / 8:30PM UTC



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- **Operator**
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PRESENTATION

Operator

Good afternoon, everyone, and thank you for participating in The Metals Company's fourth quarter and full year 2023 corporate update conference call. Joining us today are The Metals Company's Chairman and Chief Executive Officer, Gerard Baron, 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 statements 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.

Craig Shesky *TMC the metals company Inc - CFO*

Thank you very much. Please note that during the call, certain statements may be made, which 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 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 you're welcome to follow along with our slide deck or if joining by phone, you can access at any time at investors.metals.co.

I'll now turn the call over to our Chairman and CEO, Gerard Barron. Gerard, please go.

Gerard Baron *TMC the metals company Inc. - Executive Chairman & CEO*

Thanks, Craig, and thanks to all of you for joining us today for our fourth quarter 2023 corporate update call. Firstly, I'd like to mention the great piece that ran last night on 60 Minutes regarding seafloor nodules and the United States position on the Law of the Sea and reflect a bit on just how far we've come.

Just over four years ago, we hosted Bill Whitaker and the 60 Minutes team onboard the launch of vessel to provide what was for many people, their first glimpse of this impending new industry. In fact, some of our team members and key investors have cited that piece is what originally put nodules and our company on their radar.

And I'm amazed at just how much our team has accomplished in the four years since that original piece. In 2021 in advance of our transaction to go public, we put out two SEC compliant resource statements and an initial assessment on the NORI-D contract area signed off by AMC consultants. NORI-D net present value at the time of \$6.8 billion.

In 2022, we completed the first successful integrated pilot system test in the CCZ since the 1970s lifting 3,000 wet tons of nodules and helping to derisk our future offshore operations alongside our partner Allseas in late 2021. And we completed our pyrometallurgical processing pilot, derisking our flow sheet in advance of future onshore operations.

We've also now signed a binding MoU with PAMCO in Japan to initially process nodules at their existing RKEF facility. And we're also pleased to announce today that we successfully derive the first-ever nickel sulfate from seafloor nodules, but more on that in a bit. And finally, we wrapped up the last about 22 preproduction offshore campaigns, including the completion in late February of our environmental campaign, one year following our pilot collection test. And our team is very encouraged by the initial results.

So last night, Bill Whitaker and his 60 Minutes team revisited their original story, focusing on recent actions by US political and military and intelligence communities to catch up to China in this space. At the same time, the rest of the media seems to have caught up with the importance of this topic, which major new pieces just this month from the Wall Street Journal and The Financial Times, BBC, Politico, and many, many others.

The takeaway to me is clear, at last time is now for this resource and as the most advanced contractor with a multiyear head start, TMC is well positioned to leverage this increasingly favorable geopolitical landscape.

Moving onto our current liquidity picture. I'm pleased to announce that along with ERAS Capital, the family office of our director and largest shareholder, Andrei Karkar, we have today agreed to provide a \$20 million unsecured credit facility with a maturity date in 18 months. And the interest rate on this unsecured facility in the six months is the six-month secured overnight funding rate plus 4%.

Further, our partner Allseas has also agreed to extend their existing credit facility for a further period until August 2025. The ATM program, the extended Allseas unsecured credit facility, and the new credit facility provided by ERAS and myself, all remain untapped today. And with existing cash at year end plus the \$9 million in additional registered direct offering funds from ERAS Capital received in January, pro forma year ending liquidity is \$61 million.

As we have said previously, our preferred form of financing moving forward will be at the asset level and we are making good progress with a number of parties there. You can certainly expect to hear more about this very soon. And we've seen an uptick this year in both number and quality of inbound financing offers from institutions, including underwritten equity transactions and convertible note offers.

But even with a rising share price, we'd much rather fund the project through other less dilutive means as evidenced by today's credit facility announcements. And so this now means that TMC has sources of unsecured funding from each of its three largest shareholders. So believe us when we say we care deeply about minimizing dilution. And I hope this action speaks to our confidence in where things are headed with respect to potential strategic partners.

The next slide provides an overview of our Q4 results and recent business developments since our last quarterly update. I won't read all of this detail to you, but I did want to flag an update to our expected first commercial production on NORI-D. We now expect to commence production offshore at the end of the first quarter 2026, assuming an ISA review process, approximately one year from the submission of our application for an exploitation contract, which is still expected following the July 2024 ISA session.

Alongside our partner Allseas, we've refined our assumptions to hit the ground running with a larger potential production system on the Hidden Gem vessel upgraded from the initial target of 1.3 million tonnes annually to the new maximum annual production capacity of 3 million wet tons, an increase of 130%. And this also reflects some revisions to the ISA application review time line in the latest consolidated draft text released.

We never like any delays to our production time lines, but we want to make sure that we get everything right the first time and avoid a situation where production has to slow down for further modifications after we've begun.

So on the agenda today, we'll take you through the following items, a brief reminder of TMC's value proposition; I'll review some important industry headlines; and update on the progress of our NORI-D project; a snapshot of the environmental case for TMC and nodule collection, more broadly; a regulatory update on this month's ISA meeting; and finally, our financial update.

But let's start at first principles. Why look to the seafloor nodules in the first place? Well, for starters, the abyssal plain represents an area of the planet with the least life, the lowest biomass per square meter, second only to [polarize]. And the world has woken up to the fact that we need to shift away from fossil fuels and the current challenges of sourcing metals from the land are gaining increased attention.

Nodules offer real tangible advantages over their terrestrial equivalents and containing high grades of four metals in one ore. Sourcing battery metals from nodules requires no digging or blasting and produces near-zero solid waste. And far offshore, we also don't have to displace human communities nor build the costly fixed infrastructure necessary to access mineral resources on land.

And when you put all that together, it is clear that nodules holds significant potential to dramatically reduce the human and planetary costs of sourcing metals. And this resource is also remarkable for the direct correlation between its mineral composition and that of electric vehicle battery cathodes and wiring. Rich in nickel, copper, cobalt, and manganese, these nodules closely fit the requirements for the majority of the EV battery cathodes being sold today.

And new chemistries are in development though these can take decades to commercialize if ever. And based on our conversation with major OEMs, many new batteries are expected to continue relying upon nickel rich chemistries. Of course, we cannot forget the additional demand pressures for the metals contained in nodules, including infrastructure, the ongoing industrialization of the developing world, and the addition of 2 billion people to the planet.

As we've said many times before, our resource is an outlier among the world's nickel projects, not only our NORI and TOML ranked by mining.com as the largest two undeveloped nickel projects in the world, but the nickel equivalent grade of this resource truly stands apart.

The nickel market has been rallying over the last year due to an influx of lower cost supply from underneath Indonesian Rainforest. BHP estimated recently that 50% of the nickel cost-curve was loss-making at current nickel prices on an all-in sustaining cost basis.

So with a nickel equivalent grade of over 3% and four key metals in one resource, TMC is able to withstand commodity price volatility better than most and provide an economically viable counterweight to the portion of nickel market controlled and funded by China or Russia. It's fair to say that the eyes of the world are watching this new industry with major media outlets leading think tanks, acknowledging that commercial operations will soon be a reality.

And in a new analysis by the influential Breakthrough Institute, Oceanographer and Co-Director of Climate and Energy, Seaver Wang, found the sourcing key metals like nickel and copper from nodules could deliver far lower impacts than sourcing them on land despite much exaggerated claims to the contrary. And in a recent interview with CNBC, ISA Secretary General, Michael Lodge, noted that growing interest in marine minerals by countries like China, India, and Norway means that commercial operations now appear inevitable.

This lines up with the takeaway last year from the New York Times reported Eric Lipton that start of this industry is a question of when rather than if and when is coming even sooner. So the natural resource is also gaining support in Washington, DC.

Over the last two years, congressional members have made repeated calls to action to the defense and energy departments to begin planning for the development of processing and refining capabilities for deep-sea nodules, most recently with the introduction of The Responsible Use of Seafloor Resources Act. And with the signing into law of the National Defense Authorization Act by President Biden, the Pentagon has now been tasked with formulating a report assessing just how the US might process nodules domestically, but more on that shortly.

Increasingly, policymakers and the broader political community are driving the conversation. As reported in the Wall Street Journal this month, a bill aimed at providing support for domestic nodule collection, processing, and refining has been introduced by members of the House of Representatives with support from a broad coalition of leaders drawn from the offshore energy industry, marine mineral exploration, and global research centers.

Also this month over 350 former political and military leaders, including former Secretaries of State and Defense, Hillary Clinton, Leon Panetta urged the US Senate to ratify the Law of the Sea Treaty and take its seat at the table on ocean matters. Of course, this recent spate of use is taking place within the context of the pending delivery of a report by the Pentagon to the House Armed Services Committee, assessing the opportunities offered by nodules to diversify critical mineral supply chains away from China.

So at a minimum, the report will outline controlling parties of deep-sea resources, Americas current production and processing capabilities, and crucially a road map laying out recommendations for how the US can leverage its domestic industrial expertise and capabilities to process nodules and play a leading role in the industry.

Though the March 1, deadline was ambitious, our conversations with relevant parties in the DoD and Congress give us confidence that the team readying to report are well aware of the challenges of metal supply and the opportunities that nodules presents. And we remain optimistic about the prospect of funding to do feasibility work on our potential US refinery, which can take nodule derived products as feedstock, whether through our existing DoD ground application or through Congressional appropriations.

This underscores the massive longer-term potential that we represent for the United States, which could go from near total import dependence for nickel, cobalt, and manganese to metal independence in all three, just from our contract areas alone. However, this does not change our capital-light plan to begin production at existing RKEF facilities such as PAMCO in Japan.

And I'd now like to turn it over to Craig to discuss the progress of our NORI-D project.

Craig Shesky TMC the metals company Inc - CFO

Thanks, Gerard. Speaking PAMCO, we were pleased to announce in November of last year that we signed a binding MoU with PAMCO to process the first nodules when commercial production operations are expected to begin in 2026. PAMCO's planning a commercial size pilot in the second quarter of 2024. And 2,000 tonnes of nodules that we collected during NORDI's mining test, will be processed through PAMCO's existing RKEF plant.

We're also pleased to announce that we've demonstrated we can turn nodules into nickel sulfate, indicative of battery -- excuse me, there's been a bit of a change in the slide deck. Here we go. We're also pleased to announce that we've demonstrated we can turn nodules into nickel sulfate indicative of battery market suitability pending the confirmation of the preliminary assays.

The sulfate was produced in a program testing or efficient flowsheet design that processes intermediate nickel matte direct to nickel sulfate without making nickel metal and produces fertilizer byproduct instead of waste. And for nickel sulfate, we'd just like to quickly remind everyone what a game changer that is to potentially produce nickel sulfate at a much smaller carbon footprint than all other nickel flowsheets analyzed than last year's benchmark lifecycle assessment.

As noted on our last call, we're devoting a majority of our resources to our environmental impact statement and pre-feasibility work. And we'll start with the pre-feasibility work. For the offshore segment of the PFS, together with Allseas, we've gone through several mine planning iterations and design reviews of the Project Zero nodule collection and transport system.

For the onshore segment of the PFS, we've made great progress in Japan where PAMCO has done considerable work and has validated the seafloors nodules can be fold through the current facility producing intermediate products that align with our specifications. The expected binding agreements with Allseas and PAMCO will be key inputs for the PFS modeling work, including CapEx and OpEx estimates for Project Zero, expect it to be coming later this year.

Over the past 12 years, we've conducted 22 offshore campaigns to develop an environmental baseline throughout the water column, the trial or pilot collection system and evaluate the impacts of test mining. The breadth and the scale of this research program was unprecedented in the deep ocean and will provide the regulator in society with the data needed to make informed decisions.

And with our latest offshore campaigns now complete, we now have a far greater understanding of what the actual impacts of nodule collection look like as opposed to some of the previous conjecture, which frankly has no basis in any observed data. We can tell you it's a radically different picture and more on this shortly.

With the data collection and compilation phase for pre-commercial operations now complete, our team is working tirelessly on the development of our environmental impact statement that will form the backbone of our application for an exploitation contract.

The EIS is the most work intensive elements of our application, along with our environmental mitigation and monitoring program. And it requires the publication of peer-reviewed research papers based upon the hundreds of terabytes of gather data before, during, and after pilot test collections. These papers are in preparation, and we look forward to sharing our findings in peer-reviewed journals in the coming months to support our application to the ISA.

Last year's collector system test, again, provided -- or excuse me, 2022's collection system test provided a historic moment in the development of this industry. And just beyond the over 3,000 tons of nodules collected and lifted into the surface, one of the most important outcomes of the test was the ability to observe real-time impacts and generate those 100 terabytes of in-field data.

And this accumulation of baseline data over the past decade plus represents the most comprehensive, deep sea dataset ever collected in the clearing [clipped in itself]. We collected in partnership with many of the world's leading marine research institutions and expert industry contractors, many of which are named on this page.

The data set is generating much excitement among researchers who have acknowledged the rigor and scale of this science program. The data is also openly shared to public databases, including the ISA's DeepData library of contractor data as well as other open source databases like UNESCO's Ocean Biodiversity Information System, the world's largest catalog of marine organisms.

And zooming in on our post-collection testing environmental campaign our own Katie Allen will lay out some of the key tenets of the research performed late last year. We'd now like to play this video, please.

(video starts)

Katie Allen TMC the metals company Inc - Environmental Associate

Last year we spent six months, let's say, implementing an extensive environmental and geotechnical monitoring program. The program was designed to understand the impact of collecting nodules from the seafloor using our fully integrated test mining system. The scientific information collected last year gave us insight into the immediate impact on the environment, but now we'd like to know how the environment has responded to that impact one year on.

We'll be studying various zones of influence where sediment has settled out from our mining activities with a specific focus on understanding the limits of impact on the benthic communities in the region. We're looking for any signs of recovery to the ecosystem. And if community structure and ecological function has adapted or changed since our test mining activities last year. We'll be deploying box core and multi-core instruments to collect sediments and nodule samples from the seabed. And these samples will be analyzed for specific biological, geochemical, and geological properties.

We also have a remotely operated vehicle equipped with specialized cameras to observe [sesol] megafauna. Now these animals attach themselves to nodules and other hard substrates. So our intention is to revisit known locations of sponges and corals that were imaged and photographed last year and to assess their condition after being exposed to the different levels of sedimentation.

The ROV will also assist in the deployment and placement of our aquatic eddy covariance landers. Now these landers will be strategically placed across our study sites to measure oxygen fluxes on the seafloor and to contribute to our understanding of oxygen exchange rate of the benthic animals in the ecosystem.

While seas activities are underway, our bioacoustic drifting array will be measuring acoustic signals in the water column from 1,000 to 2,000 meters water depth. So this instrument will drift around the study area throughout the campaign and tell us about the daily vertical migration cycles of biomass at this specific depth.

We also have moorings with a string of different instruments to measure currents, temperature, salinity, sedimentation rates, noise, and various other physical parameters in the water column. These will collect an additional year's worth of oceanographic data in the NORI-D license area, and that will complement the baseline datasets that have been collected here in the past few years.

Another piece of equipment that we have at our disposal is an autonomous underwater vehicle, also known as an AUV. So the AUV will map an image of the seafloor to detail the center of sedimentation footprint and assess the megafauna communities in the different zones of influence. And we also use it to produce a high-resolution base map of the site where we expect small-scale commercial production to occur in the future.

We have a responsibility to educate ourselves and to make conscious decisions about where we extract earth's metals from and how we do it. The impact monitoring work we're doing out here will build on the comprehensive scientific data gathered during last year's test mining program, and it will ensure a greater understanding of ecosystem responses to our mining activities. This is one of the first times that a potential new extractive industry is emerging in a responsible way with the environment being put first and governing the regulatory decision-making process.

(video ends)

Craig Shesky TMC the metals company Inc - CFO

Importantly, on the next slide, you'll also see some of the images on the left side of this page taken right after that collection test, compare it on the right side of this page to images taken from the one year following our post collection test campaign.

Now the qualitative data shows that these are individual organisms; the exact same organisms on the left as they are on the right, that are present and alive one year following the collection test. And this even applies to organisms that were right next to the vehicle tracks. This information, of course, is preliminary and anecdotal, and it's going to continue to be analyzed and shared, but it's one of the reasons that our team was so encouraged by the initial results of the monitoring campaign one year following the collection test.

Now during that collection test, we also successfully monitored the pool using myriad assets that were in the water, which are described in the central graphic. This is an image presented to scale, unlike much of the speculative imagery presented by opposition groups. You'll notice that the mid-water plume is represented by a small white wisp in the middle of this page, most of it, frankly, will be so dilute that it wouldn't even be visible to the naked eye.

The seafloor plume, also known as the benthic plume, also barely registers on the bottom of the graphic. Leading experts in the field of deep-sea plume dynamics, including a team led by Dr. Thomas Peacock at MIT and researchers at the Scripps Ocean Institute have found that 92% to 98% of sediment disturbed during offshore system trials conducted by our fellow contractor GSR, remained within 2 meters of the seafloor. And as noted in the conclusion of the study, it's quite a different picture of what the plumes look like compared to some of the conjecture.

Now on our own ground in the NORI-D area, preliminary findings by leading experts at DHI support the findings of MIT. Our team set over 50 monitoring stations to monitor every aspect of the plume during noise collector trials last year. An 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. The sediment plume initially forms a turbidity current, which is a gravity-driven spreading of sediment laid in water under its own weight away from the collector tracks, following the contours of the seafloor, behaving more like a liquid running along the seafloor than a gas, which might waft higher into the water column.

In fact, as noted on the right-hand side of this page, most of the green or blue bands from this DHI model will be clear enough to swim in, and much of it would be clear enough to drink, of course, it will be freshwater. This is a clear example of the speculation of opposition groups initially getting it wrong, and frankly, majorly wrong. An infield observed data needs to take precedence over such speculation.

Perhaps this is why Greenpeace in particular has pivoted from once calling for more scientific research to now trying to stop our own scientific research. But in this effort, they have not succeeded, as our key offshore campaigns are now complete prior to our application and they can't stop the increasing flow of data that we are now openly sharing with the world, including the International Seabed Authority, which brings me to the regulatory update.

We've been very encouraged by the progress at the most recent ISA meeting in Jamaica. It is further evidenced by the positive commentary from Secretary General, Michael Lodge, on this industry's inevitability. And our team is on the ground in Jamaica as we speak, and we are getting regular, real-time updates on that ongoing process, all going very constructively.

Regarding negotiations on the final rules, regulations, and procedures, the consolidated regulatory text was released in late February, signaling the transition to the phase of final mining code negotiations. And as noted earlier, we maintain our previous guidance on our intention to launch our application for an exploitation contract following the July 2024 ISA meeting occurring later this year, and assuming a one-year review period, estimated production occurring towards the end of Q1 of 2026.

On the next slide, you'll see the timeline for exploitation application review from the draft regulations. This breakdown has been updated based on the draft consolidated text and has been reflected in our current estimate for beginning production around the end of Q1 2026, assuming a review process of approximately one year. I'd like to remind everyone of the highlighted portions of this slide.

Often times, people think about the regulatory process as some black box, when in reality, the steps for approval are even more clear and codified than many land-based jurisdictions. One of the key decisions on our application is a recommendation from the Legal and Technical Commission or LTC. It's not a decision made by some executive branch politician back in the national capital, where there is a risk of revocation whenever there's a new administration. These are 41 individuals of the LTC that review the application and they are all subject matter experts.

If a consensus on approval for a recommendation is not reached, decision is made by a simple majority vote, and if the LTC recommends approval, the council reviews and if acceptable, approve that recommendation. You would need two-thirds majority of

the ISA council to overturn an otherwise positive LTC recommendation. So certainly, we expect plenty of back and forth and questions from the LTC both before and following our application. But we feel very positively about the ability of our application to stand on its merits during what is a well-thought-out review process.

On the project economics, as shared in previous update calls in March of 2021, AMC Consultants issued an SEC Reg 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 net present value of \$6.8 billion for NORI-D at the beginning of last year. We are running the same model simply updated for current metal prices, the net present value of NORI-D would be approximately \$8.1 billion. Despite a higher share price now than our previous report, we are still only trading at roughly 6% of the underlying NPV for the NORI-D area at current metal prices, which remains a massive discount to peer developers, which to us means that our valuation can naturally improve if we keep on delivering on our project milestones.

So on to the financial update. In the last quarter of 2023, TMC reported a net loss of \$33.4 million, or \$0.10 per share, compared to TMC's net loss of \$109.5 million, or \$0.41 a share, for the same period of 2022. The net loss for the last quarter of 2023 included exploration and evaluation expenses of \$26.7 million versus \$104.3 million in Q4 2022, and general and administrative expenses of \$6.5 million versus \$7 million in Q4 2022.

Exploration and evaluation expenses decreased by \$77.6 million in the last quarter of 2023 compared to the same period in 2022. The significant decrease is primarily due to the recognition's cost representing the fair value of the Allseas warrant in the last quarter of 2022. The completion of the pilot mining test in the same period last year, and a reduction in environmental study cost as the collector test was completed in 2022, partially offset by the monitoring work on NORI-D, which was carried out in the fourth quarter of 2023.

These cost reductions are partially offset by an increase in engineering work which advanced to the course of 2023, an increase in exploration labor costs mainly attributable to an increase in headcount and the higher sponsorship, training, and stakeholder engagement costs. General and administrative expenses decreased slightly by \$0.5 million in the last quarter of 2023 compared to the last quarter of 2022.

Within the other items, the largest movement between the last quarter of 2023 and the same period of 2022 is a change in the fair value of the warrants liability in alignment with the change of the company's share price. In the last quarter of 2023, the net cash used in operating activities amounted to \$15.2 million compared to \$19.8 million for the last quarter of 2022.

The large gap between the net loss for Q4 2023 and the cash used in operating activities for the same period last year is due to a change in working capital, including an increase in accounts payable and accrued liabilities. Free cash flow for the last quarter of 2023 was negative \$15.6 million compared to negative \$20 million in the last quarter of 2022.

Regarding our balance sheet, as at December 31, 2023, we closed the year with a cash balance of \$6.8 million and held no debt. We believe that our cash on hand, along with the undrawn \$25 million unsecured credit facility just now extended through August 2025 with an affiliate of Allseas and the new \$20 million unsecured credit facility provided by Gerard Barron and ERAS Capital LLC, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months from today.

The right of use asset, the new line item here you see for \$5.7 million in our balance sheet as at December 31, 2023, represents the net carrying value of the exclusive right to use the Hidden Gem in support of the development of the Project Zero offshore nodule collection system. In consideration for the exclusivity, we issued 4.15 million common shares to Allseas in August of 2023 as previously disclosed. On February 21, 2023, NORI entered into an investment agreement with low-carbon royalties to finance low-carbon emitting, energy production and technologies in support of the energy transition.

The value of the investment of \$8.4 million as of December 31, 2023, represents the company's shareholding in low carbon royalties, net of equity accounted loss for the year. As part of this agreement, NORI contributed a 2% gross overriding royalty on its future revenue stream to low carbon royalties, and there is also a right potentially through south funding option, to buy back three-quarters of that royalty over time. And the right to the royalty payments was heavily discounted, reflecting the current stage of the project valued at \$14 million and recorded in the first quarter of 2023 as a gain on disposition.

Now, in connection with the preparation of the 2023 year on financial statements and some new information from the technical team of the company's auditors, the company reevaluated accounting for this transaction and concluded that the sale of future revenue falls within the scope of ASC 470 and restated the offsetting entry to the proceeds as it received from low carbon royalties as a royalty liability.

This is a non-core and non-cash item and the impact of this restatement is described in detail in the company's Note 22 of our annual report on Form 10-K. It is also described in the 8-K that came along with our press release filed post close today.

I will now turn it back over to Gerard for some closing remarks and then we'll get to Q&A.

Gerard Baron *TMC the metals company Inc. - Executive Chairman & CEO*

Thank you, Craig. And as I said at the beginning, the time is now for this new industry. With our own research vessel back in port and the heaviest offshore pre-production spending in our rearview, our team's attention is now focused on analyzing the copious amounts of environmental data and putting together an application for an exploitation contract for the NORI area, expected to be submitted following the July 2024 ISA session.

And after seeing the initial results following the conclusion of our latest environmental campaign, I'm confident there are no showstoppers and we're looking forward to continuing the release of all this data with stakeholders around the world. In the meantime, our executive team will continue the work of securing strategic partnerships and this is certainly where I'll be devoting nearly all of my time in the coming weeks.

I would like to extend my sincere thanks to the TMC team, including our partners, our contractors, and of course our sponsoring states. And thanks to everyone who tuned in to our call today and for your attention. With that, I would like to hand it back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Craig Shesky *TMC the metals company Inc - CFO*

As we are waiting for that to compile, we are going to take a question from the web chat. Milo Amundsen has asked, is the 6% of share price on NORI assets or all assets? What percentage is it of all assets?

It's a good question. Look, we've always laid out what the valuation is based on NORI-D, which is our most advanced project on which we are spending close to \$500 million already on that project to bring it to where it is now. And being able to leverage that investment is something that's really starting to bear fruit now that the geopolitical tailwinds are blowing much stronger. NORI-D represents roughly 22% of the total estimated resource across NORI and TOML.

Now, we did estimate when we went public that the full field net present value, if extrapolating the same assumptions from NORI-D, would be \$31 billion of net present value. But again, we like just focusing on the \$6.8 billion as calculated with AMC consultants in the NORI-D initial assessment as their valuation guidepost. And our market cap represents roughly 6% of the updated value of that NORI-D initial assessment if you just use current metal prices, roughly \$8 billion. So, to answer your question, it's focused really just on NORI-D recognizing that there's significant upside from the other 78% of our total estimated resource.

Operator

Dmitry Silversteyn, Water Tower Research.

Dmitry Silversteyn *Water Tower Research LLC - Analyst*

Good afternoon. Thank you for taking my call. Just wanted to get maybe a little bit more detail. What were the main elements that resulted in the modest extension of the time to offshore production into the first quarter of 2026 versus the original date, which I think

was given out as the fourth quarter of 2025?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Yeah. Hi, Dmitry. Look, there's one driving reason, and that is moving the production number of that boat from 1.3 million tons to 3 million tons. And it was a decision that we had to take at the time. But of course, the economics are so much better when we can be handling the bigger production capacity.

But what that requires is an upgrade. It requires us to make a couple of modifications for material handling. It required a slightly different Riser configuration, all of which has been managed by Allseas. And so that put a little bit of a dampener in the supply chain, and that's what resulted in that later time frame.

Dmitry Silversteyn Water Tower Research LLC - Analyst

Understood. And then if I can follow up on the March meetings that are going on right now with ISA. As you look at what will come out of it on the other end, what would be sort of the likely outcome that you're looking for that you would interpret as good news versus, let's say, disappointing outcome?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Look, this is the first time that a consolidated text has ever been presented to the council, and so it's a really important milestone. And what we are looking out of this session is continued progress. And that's what we're seeing. It was a productive week last week. This week we expect to see the same. And that is just making progress towards further refining that consolidated text.

And what we are also noting is that there is a lot of intercessional work continuing to be done by the member states, and that is increasing. And we expect that the period between the end of the March session and the beginning of the July session is when we are going to see a lot of those loose ends tidied up.

And so, as for bad news, look, we haven't seen any. You always see a bit of noise around at this time, of course. And, but fundamentally, the noise is very different to the reality, and of what's happening. You have 168 members who are working earnestly to put in place regulations because the one thing that everyone agrees is that regulating this industry is the best way of protecting the ocean environment. And so that's what people are doing. And of course, we are very close to those regulations because we're going to need to operate under them and we are not seeing anything that's keeping us up at night.

Dmitry Silversteyn Water Tower Research LLC - Analyst

Got it. That's helpful. And then final question, if I may. The cash on hand and the liquidity that you have access to, typically you talk about lasting that for the next 12 months or something like that. I didn't hear that statement on this call. So how do you see your liquidity position right now? And how urgently is the need to find a strategic partner, let's say in 2024?

Craig Shesky TMC the metals company Inc - CFO

(multiple speakers) Sorry, Gerard, I can go first if you don't mind. Just quickly on that, Dmitry, I did say that. And we did include in our press release that. Yes, we do believe that cash on hand plus these credit facilities, totaling \$45 million is sufficient to meet our working capital and CapEx requirements for at least the next 12 months. Keep in mind too, the last number that we provided which I still think is a good guy post, was \$35 million to \$45 million of additional cash needed to launch our application.

And I think what you should keep in mind is while we continue to get many inbound proposals for financing, we have our three largest shareholders who care very much about minimizing dilution. In fact, if you look at our total shareholder base, in excess of 50% of TMC shares are held either by insiders or affiliates. So there's very much a desire internally to do the right deal. And that's why all of our focus is on the strategic side right now.

And I think the confidence provided by not only the extension of the Allseas credit facility but the new credit facility from Gerard and Andrei, I think it just shows the confidence in those potential options.

Dmitry Silversteyn Water Tower Research LLC - Analyst

Okay. Thank you.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Yeah. The easiest thing to do is to print equity. And -- but as Craig said, we really do care about that equity stack because that's where we care about our shareholders, we care about our employees, who, of course, are incentivized by the equity. And we have a very direct insight into, obviously, how those negotiations are going with interested parties. And we think this is the right course for the benefit of all shareholders.

Dmitry Silversteyn Water Tower Research LLC - Analyst

Fair enough. Thank you, Gerard.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Thanks, Dimitry.

Operator

Matthew O'Keefe, Cantor Fitzgerald.

Matthew O'Keefe Cantor Fitzgerald & Co. - Analyst

Yeah. Thanks for taking my question. Just wanted to touch on the -- if you could touch on the timing and maybe some of the scope of the upcoming feasibility study. Is that -- that's still on track for mid-year? And maybe you could discuss a little bit about how it's going to differ from the one in hand?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Sure. Do you want me to take that, Craig?

Craig Shesky TMC the metals company Inc - CFO

Sure. Happy to add color on it, too.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Yeah. Look, it'll be a pre-feas that is going to be completed by mid-year. And of course, normally when you move from pre-feas to feas, it's to do with tightening up the cost scope, and certainty around the budget. And it normally has to do with large capital expenditure. Now, of course, we already have our first production asset. It's the Hidden Gem. It's owned by Allseas, and it's the vessel that we use for the collector test.

And we are working earnestly with our onshore partner -- at the moment that's Pacific Metals up in Japan, who have an existing purpose-built nickel processing plant which we are able to tap directly into. And so that pre-feas is going to be really significant to just answer many of the technical issues and support our application. That's the main purpose of it because we have a good insight into how those numbers are looking.

Matthew O'Keefe Cantor Fitzgerald & Co. - Analyst

Okay. Thanks. So will we get a sense from it as investors and analysts, what the -- I mean you'll be paying PAMCO, you'll be paying Allseas to collect the nodules, PAMCO to process them. Will that kind of detail be available in that? Because in my model, it shows some fairly robust potential for some fairly robust economics?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Absolutely.

Craig Shesky TMC the metals company Inc - CFO

Yeah, look, certainly, Matt, yes. We would anticipate that. As the pre-feasibility is coming out and we are preparing for the application, there's going to be a point where we're going to be able to provide guidance to the market and a viewpoint of what to expect from project economics, especially now that we're talking about a larger initial production system. So, absolutely.

Frankly, we've had a lot of investors who have been waiting for that, and we want to make sure that we dot all the I's and cross the T's before we can release that. But, yeah, rest assured it's coming. And we agree with you, we believe the economics are going to be robust.

Matthew O'Keefe Cantor Fitzgerald & Co. - Analyst

Okay. No, that's great. Thanks. Looking good so far. Appreciate it. Thank you.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Thanks, Matt.

Operator

Vasu Patel, Patel Holdings LLC.

Vasu Patel Patel Holdings LLC - Analyst

Hi. So one of the questions I have is for the application for the ISA that we are submitting for NORI-D. As said in the past, there's going to be costs attached to it. Is there approximate amount value to what the costs are? And will they be covered from the current cash assets, or do any of the credit facilities have to be tapped into?

Craig Shesky TMC the metals company Inc - CFO

Yeah. Look, I mean, the application itself, you're in the ballpark of \$1 million fee for the application, but the real cost of the application is all of the work that goes into analyzing and collating the data and putting forth document of many, many hundreds of pages. We've already finished now, our offshore campaign following one year on from the collection test. And a lot of that information is now being analyzed. There is going to be a key tenet of the environmental impact statement. We're also talking about

the pre-feasibility study that Gerard and I just mentioned.

So the amount that we said, \$35 million and \$45 million of incremental funding, which does not include any tapping of our credit facilities, that is still a good number to keep in mind for what it's going to take to get the application over the line. So, yes, there is more work to be done and it'll cost some money, but we feel now very, very good about the liquidity options at our disposal.

Vasu Patel Patel Holdings LLC - Analyst

Got it. And this question really refers to future mining around 2026. As of right now, there's one vessel. There's a Hidden Gem vessel. But looking forward, how will production be ramped up once the application for exploitation is approved?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Good question. One of the things we've established is that processing our nodules can happen through rotary kiln electric furnace. And what we know is that there are hundreds of those lines that have been built in China, in Japan, and more recently, in Indonesia, and they've been built to process nickel laterite ore. And so it's a win-win.

That industry has the capacity to take all of the production that will come off the NORI-D block and more into parties that we are currently in talks with. So we do not see the need to have to go and spend money building processing plants to handle the scale-up for the first phase. And think of processing in two steps: One of it is known as the pyrometallurgical process, and the other is the hydrometallurgical process.

And one of the things that I think the United States and Washington DC policymakers have clocked onto is that they could potentially import that intermediate product that we will produce from nodules into the United States for US battery makers to make battery cells. And of course, once you do that, it means the material is in the United States and it will stay here. It will be used to make batteries, but at end of life, it will be recycled. And recycling in decades to come will become a very important part of the supply chain.

So the onshore side means there are no limitations to how we scale up the onshore processing. When it comes to the offshore, what we are already doing, as we announced in a previous release, is looking for a second production vessel. But as we get closer to production, we're also finding people knocking on our door saying, hey, we have one of those ships exactly like the Hidden Gem, and we'd like to see it busy or we'd like to explore.

Could Allseas use it as their production vessel number two? And so think of it as a cookie-cutter approach. But, and that's how we are going to do the early scale-up towards the NORI-D block. In the future, I think what we'll have is bigger production platforms as we start to drive costs out of the business, better economics. And the simple math is that we just announced that we are moving the production platform to 3 million tons.

There is the possibility of moving production well beyond that, but it would not be with a boat like we have now. But for the moment, it's cookie-cutter, put more boats on the water, and it's tapping into already built, permitted, and financed onshore processing plants in parts of Asia.

Vasu Patel Patel Holdings LLC - Analyst

Sounds good. Thank you so much.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Pleasure.

Craig Shesky TMC the metals company Inc - CFO

And we're going to move from the phone line to some questions in the chat. Gerard, there's a question for you specifically the current influence from China on deep-sea mining, as well as the further new five-year agreement between Russia and the ISA.

Maybe if you want to comment at all on what you're seeing from China in terms of on-the-ground negotiations with the International Seabed Authority.

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Sure. Look, China is, I guess, the most powerful voice at the ISA. And if you listen to Bill Whitaker's 60 Minute show on Sunday, the reason for that is the United States are not there. And what China are doing, which we appreciate, is saying all of the member states have signed on to the convention of the Law of the Sea, and that came with it legal obligations to put in place the exploration and exploitation regulations to allow the development of this industry.

No matter which way you look at it, China has the absolute market leadership when it comes to these base metals. And the reason for that is they are very forward-looking, and we could learn a lot from how they deploy capital and how they see demand into the future and do things about it. And so I think that we are encouraged to see China in the industry. We know they have five contracts. Two of them are in the CCZ, which is where we operate.

China wants regulations to be established to protect the environment, and we want them as well. And I think that's one of the great gifts that come from this legal framework to have a central regulator that represents 168 member countries plus the European Union. It means that you have a chance of getting it right, because when you outsource mining to developing countries, you are also outsourcing the environmental oversight, and that doesn't always work out so well.

So I think there's no doubt China already has a position at the table. They are obviously a strong advocate for environmental regulations, and I think we should embrace that, and appreciate that they are there supporting the establishment of this industry.

Craig Shesky TMC the metals company Inc - CFO

Thanks. There's a question from Tyler MacNeil. Any updates to the DPA Department of Defense Title III grant?

Yes, we've been in communication. We've also been looking very closely at the DoD grant program, and there was nearly \$400 million of new funds allocated to it earlier this year. So that process is ongoing. I would say stay tuned on that front. These processes always tend to take a little bit longer than one anticipates, and I think that applies too to the direction from the House Armed Services Committee to the Pentagon to deliver a report on the potential processing and refining of nodules.

But frankly, that report, we think is going to be very important to underscore our national security relevance for the United States. And I think we're also seeing that it's really not just about the Department of Defense, DPA Title III program, but increasing focus on nodules from the United States. It also means that there are other more direct forms of potentially getting funding to do similar feasibility work. So rest assured, the TMC is aggressively pursuing all potential opportunities on that front.

And it's really have to do with the fact that I think now there is a growing momentum from the military, political, and intelligence communities. And when you're talking about hundreds of these former leaders signing on to something that's really a momentum of its own and showing that a lot of the education frankly, that we've been doing, along with other contractors about what this resource is, has been fruitful, and we expect more of it this year.

Also, Gerard a question for you from Sean Dre Certainly, we have a strong partnership with NORI-D. Do we have any other plans in the near future to develop further partnerships with countries? Any other expectations of countries who might want to become sponsoring states? Any focus on us on that front?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Look, we are frequently contacted by countries, particularly developing countries, who would like our help or our partnership to help them get into this industry. And at the moment our hands are pretty full. However, we are exploring how we can help some of those nations participate because particularly developing countries who would otherwise not have access to any economic opportunities like this, now is the time for them to participate.

So nothing to report. And we do have a laser focus inside the business on our NORI contract area at the moment, of course, and -- but there might be something in the future.

Craig Shesky TMC the metals company Inc - CFO

And the last question that we have time for, from Tim Panetti. Do we have any updates in terms of discussions with auto OEMs? And any news on their focus on this new industry?

Gerard Baron TMC the metals company Inc. - Executive Chairman & CEO

Well, I can confirm that we continue to talk to them, but I don't think the auto OEMs are going to move until we are closer to production. And quite frankly, our job at the moment is to keep them informed, keep them up to date on the environmental evidence that is coming to hand, and at the right time, we will be a great partner for them, because in the future, of course, between carbon equalization measures and battery passport initiatives, the CO2 footprint is going to be really important.

And we know what our CO2 footprint is going to look like. We also know through our lifecycle analysis, what our impacts on other areas will be as well, whether it's sequestered carbon or water usage freshwater systems, and so on. And I think that those matters are going to be really important to measure because when you compare them to alternative supply in the marketplace, they're going to look really low impact at the bottom end of the scale. And that means that customers will be rewarded for choosing those products over materials that come with a higher impact.

So our job is to continue to develop those systems, continue to provide that environmental evidence, which, of course, will make available to the world, but help put it into context as it becomes available for those OEMs. And we've got a cordial, respectful relationship, some better than others. But when the time is right, I'm confident that they will be there.

Craig Shesky TMC the metals company Inc - CFO

Thanks. Look, thanks to everybody for taking the time to join us on the call today, and we are certainly looking forward to sharing more progress on our next quarterly call, which is just right around the corner. And we'll turn that back over to the operator for any final comments and disconnection.

Operator

Thank you, sir. This concludes today's conference call. Thank you all for participating. You may all disconnect.

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