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PRESENTATION

Operator

Good day, and thank you for standing by, and welcome to The Metals Company first quarter 2024 corporate update conference. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Craig Shesky, CFO. Please go ahead.

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Thank you. And please note that during this call, certain statements made by the company will be forward-looking and based on management's beliefs and assumptions from information available at this time. These statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. Additionally, please note that the company's actual results may differ materially from what we go through in this call and that 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. The 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 us by phone, you can access it at any time at investors.metals.co.

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

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Craig, and thank you to all of you for attending our first quarter 2024 corporate update conference call. It's only been a month and a half since our last update. But even in that short time, we've seen some important project milestones and positive tailwinds for this industry.

But I'd like to start with an exciting new addition to the TMC team. Last month, we were pleased to welcome Steve Jurvetson to our Board as Vice Chairman and strategic adviser. Steve is not just a legendary investor, but a visionary with wide and deep ranging curiosity. Among other roles, he is a current Board member of SpaceX, and former longtime Board member of Tesla.

His investments represented \$800 billion in aggregate value creation and include pioneering technology companies like Tesla and Planet Labs and SpaceX and Commonwealth Fusion Systems. And I'm proud to count him both as a supporter of our mission and an exciting TMC shareholder, and we are already benefiting from his contributions and connections.

So onto a quick liquidity snapshot. Total liquidity stood at \$49 million as at March 31st, 2024. Since that time, TMC has drawn down \$2.9 million out of our \$45 million available capacity on unsecured credit facilities. And the use of these facilities provided by our three largest shareholders, including myself, should indicate how confident we are on the path forward and the news flow in the coming months, which we believe will be well received by current and potential investors.

The next slide is a summary since our last quarterly update in late March. I'd like to draw your attention to the news we announced this morning. We have now uploaded the largest ever submission of environmental data to the International Seabed Authority. Drawn from 22 offshore campaigns to the NORI-D area, this wealth of new data adds a further 75,000 biological occurrences to the ISA's catalog of contracted data for the Clarion-Clipperton Zone, as well as a myriad of other data which will further enhance society's understanding of the deep sea ecosystem and the potential impacts of our operations.

NORI's dataset is the largest of its kind ever gathered in the deep sea, and with much more data still to come, I am confident that our efforts over the past 12 years will provide the regulator with the data it needs to make informed decisions regarding our application. And as we move onto the agenda, you'll see we spend some time today focusing more specifically on the key questions that we'll be answering with our environmental impact assessment, the results of our investment over the past decade are now arriving almost daily, and we remain very encouraged by what we see.

We are excited to share some of this with you today, along with some insight on why our team is increasingly confident that there are no showstoppers. We will progress -- also review the industry headlines, provide an update on regulatory progress, and end with -- (technical difficulty)

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Hey, sorry about that. This is CFO, Craig Shesky. I'm going to continue with our slides until we're able to get our CEO and Chairman, Gerard Barron dialed back in. But this page we're looking at now is focusing on really what we've already achieved. And certainly while our ride as a public company has sometimes been rocky, we're increasingly confident that we've now weathered that storm and are on a much firmer financial footing. Even amidst that volatility, it's pretty amazing to look back and see everything that our team has been able to do.

So going back to the beginning of 2021, we laid out what we wanted to achieve as a public company. And then we got to work and started checking off those boxes. For example, in early 2021, we put out two SEC compliant resource statements and an initial assessment of the NORI-D area signed off by AMC consultants, noting a net present value at the time of \$6.8 billion.

In late 2021, we completed our pyrometallurgical processing pilot, de-risking our flow sheet in advance of future onshore operations. And in 2022, we completed the first successful integrated pilot system tests in the Clarion-Clipperton Zone since the 1970s, lifting 3,000 wet tonnes of nodules and helping to derisk our future operations alongside our partner, Allseas.

And as we discussed last quarter, we also finished the last of our 22 preproduction offshore campaigns, including the completion in late February of our environmental campaign one year following our pilot collection test. So we've also successfully pivoted to a capital-light model with the support of key partners like PAMCO onshore and Allseas offshore, which can provide production assets to us for our exclusive use and then, of course, reduce preproduction CapEx requirements to a bare minimum.

So our attention is now laser-focused on the main prerequisites for the milestone of launching our application for an exploitation contract of the NORI area, particularly our pre-feasibility study and our environmental impact statement.

So from first principles, why are we interested in deep-seafloor nodules in the first place? Well, for starters, the abyssal plain represents an area of the planet with the least life per square meter as measured by biomass, but also relatively low biodiversity. These nodules contain high grades four metals in one ore, and sourcing battery metals from nodules requires no digging or blasting, and produces near zero solid waste and no tailings.

And for offshore, we don't have to displace any human communities nor build a costly infrastructure necessary to access mineral resources on land. And this is why we can take a capital-light approach, which is almost unheard of for resource projects. There is also a remarkable correlation between the nodules and mineral composition and the composition of EV battery cathodes in wiring.

Rich in nickel, copper, cobalt, and manganese, these nodules closely fit the requirements for the majority of the electric vehicle battery cathodes being sold today. And based on our continued conversations with major automakers, many new batteries are expected to continue to rely upon nickel-rich chemistries. And this is a very good time to remind you of our press release in early April, demonstrating we can turn nodules into nickel sulfate, indicative of battery market suitability, pending confirmation of those preliminary assays.

And yes, even though EV outlooks have softened in recent months, the metallic composition nodules mean they're also remarkably suited for use in diverse other applications across the energy, infrastructure, and defense sectors. And this is where it's so advantageous to have a basket of metal products, each of which has exposure to sectors, which will be geopolitically critical in the coming decades. Whether it's the generation of nuclear power, the production of steel for use in infrastructure, wind turbines and the like, or in alloys for both commercial and defense sectors, nickel has numerous competing uses.

Likewise, cobalt is garnering increasing interest for its use in production of hydrogen and use in hydrogen fuel cells as well as other defense applications. And of course, copper and manganese have underpinned nearly all global infrastructure in place today, and that will be built up in the future as we look to meet the needs of the industrialization of the developing world and multibillion global population growth.

Already this quarter, copper prices have increased by 17%, driven in part by expectations of data center needs for powering AI. And prices for manganese this quarter, our second most important product, are up by nearly 30%.

So as we've said many times before, our resource truly is an outlier among the world's nickel projects, and not only are NORI and TOML ranked by mining.com and the largest 2 undeveloped nickel projects in the world, but the nickel equivalent grade of the resource is truly remarkable. And after a very rough 2023 in the nickel market due to low cost supply from the -- underneath the Indonesian rainforest, nickel prices have begun to stabilize and are now up 18% so far in the second quarter.

With a nickel equivalent grade over 3% and four key metals in one resource, TMC is able to withstand commodity price volatility better than a typical project, and provide alternatives to the portion of the nickel market controlled and funded by China and Russia. And as noted on the previous slide, we are levered to metal market that each have a significant application in the defense sector amidst an increasingly tenuous global order.

So at a time of heightened geopolitical competition, there's a lot of media coverage that's been devoted to the ongoing visit by President Xi of China to France. And one aspect to President Xi's visit which flew under the radar was the quiet publication of a joint China-France declaration in which both parties committed themselves to remaining engaged in the development of regulations at the ISA and support for ongoing environmental impact assessments to support evidence-based decision-making.

France has flip-flopped on its support for this industry in the past, and the softened language on display in this joint statement reflects an interesting development in its stance, perhaps suggesting that the French government is now taking seriously its obligations under UNCLOS and that China's favorable view of this industry is rubbing off on France rather than the other way around.

Gerard, I see that you're back. If you'd like to (multiple speakers) -- we're on page 14.

Gerard Barron - TMC the metals company Inc - Chairman of the Board, Chief Executive Officer

Technical issues have been resolved. My apologies for that. So taking the mantle back up, so there's been a steady pace of news out of China on seafloor mining over the past few years, culminating in the Washington Post piece in October regarding Chinese keen interest in deep sea floor resources. While also acknowledging TMC's leadership role in this industry, Chinese urgency in this space has accelerated in the last several weeks with not one but two contractors submitting environmental impact statements to conduct nodule collection tests in 2025. There is still much work ahead for the Chinese contractors, and we do not expect commercial production from them before the early 2030s.

But certainly, these actions from China regarding deep sea floor resources are sounding alarm bells in Washington DC. As reported in the Wall Street Journal in March, a bill aimed at providing support for domestic nodule collection processing and refining has been introduced by members of the House of Representatives, titled the Responsible Use of Seafloor Resources Act. Also in March, over 350 former political and military leaders, including Hillary Clinton urged the US Senate to ratify the Law of the Sea Treaty.

Of course, I'm sure many of you are interested in the timing of the 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. And we are quite interested in the date of this report as well. The Pentagon is continuing its detailed analysis, and while we do not have certainty on the date of the report's completion, the tone and tenor of the work seems to be very encouraging.

And further, we're in active dialogue with members of Congress regarding the prioritization of feasibility work for the future refining of nodule-derived products in the United States, building on the existing base of support demonstrated in last year's National Defense Authorization Act. So, we look forward to sharing more developments on this front in the coming weeks and months.

Despite activist efforts to sway OEMs, we were encouraged this month to see two of the world's largest car companies and EV heavyweights, Tesla and General Motors, stand up for evidenced-based decision making and recommend the rejection of proposals to support a moratorium. And we hold firmly to the belief that all projects, whether on land or on the deep sea floor, must be judged by merit, and we remain confident in the clear advantages offered by the nodule resource.

And of course, as Benchmark found in the recent LCA of NORI-D project, nodules would outperform key land-based production routes for nickel, cobalt, representing 90% of global supply and copper, 20% of global supply in almost every impact category analyzed. But again, this will not be a one-size-fit-all situation. The needs of the energy transition will require a mosaic approach where all options remain on the table to be judged on their merits, based on science rather than activism.

I'd now like to play a short video on that environmental work and then turn the call over to Craig to take you through some detail on the NORI-D project.

(video starts)

Developing the NORI-D nodule project without causing serious harm to the marine environment is a core objective for The Metals Company and a prerequisite for the International Seabed Authority to permit commercial production. This is why the Environmental Impact Statement or EIS is the largest and arguably most important component of the NORI-D exploitation application to the ISA. Our environmental impact statement is the outcome of a decade-long exploration work program that started with our first offshore campaign in 2012. Since then, we have executed a total of 22 environmental campaign, spending 507 days on site in the NORI-D area.

This work program was executed in collaboration with researchers from the world's leading marine institutions and expert industry contractors. Over 100 studies have been conducted in total. First, to characterize the marine environment on the NORI-D area, also known as environmental baseline, and then to monitor how this environment was impacted by our pilot technology to collect nodules from the seafloor and lift them to the surface.

This scope and depth of research for an environmental impact assessment for a natural resource project is unprecedented. On-land EIAs for resource projects typically focus on the largest and most vulnerable species that exist above ground with little consideration for smaller organisms like microbes and biodiversity belowground.

In the ocean, we investigate biological communities that exist throughout the water column from the largest mammals and fish in the uppermost sunlight zone to the microscopic organisms that live in the sediment and make up the majority of living biomass at the abyssal seafloor.

How do we make sense of the hundreds of terabytes of environmental data collected in the NORI-D area? Based on a public consultation with deep-sea researchers, NORI structured the assessment around five key potential impacts, each investigated by a team of specialist researchers: One, plumes; two, noise; three, eco-toxicity; four, biodiversity; and five, CO2.

Each part of the assessment required thousands of hours of high-tech equipment deployment, data capture, and intensive analysis. All underlying environmental data are shared with public databases like the ISA's deep data and UNESCO's OBIS database on marine biodiversity. Once completed and submitted as part of our exploitation application for the NORI-D nodule project, the EIS will provide the International Seabed Authority with a science-based assessment of the impact of our proposed operations enabling the regulator to make informed decisions.

(video ends)

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

And that video is available in our slide deck posted on our website for anybody that may have had video freezing issues. Apologies for that. But certainly, the accumulation of baseline data over the last decade-plus does represent the most comprehensive deep-sea dataset ever collected in the Clarion-Clipperton Zone. And it was collected in partnership with many of the world's leading marine research institutions and expert industry contractors. And this dataset is generating a lot of excitement among the researchers who have truly acknowledged the rigor and the scale of this science program.

This deep data is openly shared to public databases including the ISA's deep data library of contractor data as well as other open source databases like UNESCO's ocean biodiversity information system or OBIS, the world's largest catalog of marine organisms.

Our environmental impact assessment has a very specific focus to assess the potential impacts of our operations on marine biodiversity and ecosystem functions. To this end, our team identified six primary concerns related to our operations for further investigation based on discussions with stakeholders. And thanks to these efforts, a far more in-depth understanding of our expected impacts is emerging and that contradicts much of the speculation by activists and some of the media.

Off the back of our 2022 test pilot collection, we've now seen the infield observed data showing that 92% to 98% of sediment mobilized at the seafloor stays within two meters of the seafloor and settles locally. This finding is critically important as it addresses speculation that sediment plumes could travel tens of thousands of kilometers or could rise up four kilometers to the surface and impact climate change.

As noted on last quarter's call, when we did a deep dive within the sea floor, including data, this is a clear example of why the speculation of opposition groups was very wrong and in-field observed data needs to take precedence over such speculation.

We've also made significant strides in assessing the impacts of noise from our test mining and last week received a comprehensive report from HR Wallingford, which outlined how the underwater noise model they have been developing predicts that impairment to the hearing of marine mammals does not occur beyond the distance of 20 meters from the nodule collection activity under the assumption that the animals can swim away.

Even without that assumption, the temporary threshold shift as predicted between 20 and 1,100 meters from the mining and permanent threshold shift between 10 and 65 meters. And given that whales don't dive within thousands of meters of our planned nodule collection, we view this as very good news and are very confident that noise concerns will not be a significant impediment.

And while some claim that nodule collection would irreversibly destroys abyssal habitats, the reality is that such operations would result in the transformation of patches of seafloor from one habitat type that is ubiquitous in the deep-sea to another. Even assuming that all current exploration contracts proceeded to production, only 0.18% of the global seafloor would be transformed in this way. And as our recent offshore campaigns to assess ecosystem recovery showed, life has begun returning to those areas most directly impacted by sediment plumes within a year.

And several of those primary concerns I just went through are interrelated. For example, if the seafloor plume is limited, as we know it is, it also limits the potential impact on seafloor biodiversity and the relatively low amount of carbon stored in seafloor sediment. As noted above, we now know that 92% to 98% of sediment mobilized at the seafloor rises no more than a couple of meters and settles within hours or days. And as a result, there is no known pathway for this negligible amount of carbon to make its way 4 kilometers up to the surface and reach the atmosphere.

And our oceans do indeed store significant amounts of carbon, but less than 5% of this carbon is contained in seafloor sediments. And despite covering almost 90% of the global ocean area. Abyssal planes account for a fraction of the total carbon locked away in seafloor sediments, none of which appears to be available for microbial conversion to CO₂.

As the true environmental impacts of nodule collection become clear, thanks to the wealth of emerging data, activists may continue to spread misinformation, but it's going to be the actual in-field observed data that matters to the adults in the room who will be making these key permitting decisions, which brings us to the regulatory update.

We were very encouraged by the progress at the most recent ISA meeting in Jamaica, in line with the positive commentary on this industry's inevitability from Secretary General Michael Lodge to CNBC earlier this year. The current President of the ISA Council, Mr. Olav Myklebust of Norway spoke to the substantive advancements made during the March session in his closing remarks, quote, "I'm very pleased with the progress made by the Council. We are moving forward with the development of regulations on the exploitation of deep seabed minerals with strong environmental protection at a good pace," unquote.

And as noted in our last call, the consolidated regulatory text was released in late February, signaling the transition to the final phase of Mining Code negotiations. And we, at TMC, continue to intend to launch our application for an exploitation contract over the NORI-D area at some point following this year's July ISA meeting. One of the key decisions on our application is the recommendation from the Legal and Technical Commission or LTC. And the individuals of the LTC review the application, they are all subject matter experts.

If consensus on an approval recommendation is not reached, the decision is made by simple majority vote. And if the LTC recommends approval, the Council reviews and if acceptable, approves the recommendation. Two-thirds majority of the ISA Council would be needed to overturn a positive LTC recommendation. And certainly, we expect plenty of back-and-forth and questions from the LTC, both before and following our application. But we feel very good about our ability to have the application stand on its merits during what will be a very well thought out and thorough review process.

So onto the project economics. In March 2021, AMC consultants issued SEC Reg S- K 1300 compliant initial assessment of the project economics for the NORI-D area. The initial assessments available in the Investors section of our website as are the resource statements for both NORI and TOML. Initial assessment arrived at the net present value of \$6.8 billion for NORI-D at the beginning of last -- excuse me, at the beginning of 2021.

Running the same model solely updated for current metal prices, the net present value of NORI-D would be approximately \$11.5 billion and our current market cap would represent just about 4% of that number, despite the very significant milestones already achieved on a project that's less than two years away from expected commercial production and still a huge discount to pure nickel or copper developers at this stage of preproduction.

Now going through the financial results. In the first quarter of 2024, TMC reported a net loss of \$25.2 million or \$0.08 per share compared to TMC's net loss of \$13.7 million, or \$0.05 per share for the same period in 2023. The net loss for the first quarter of 2024 included exploration and evaluation expenses of \$18.1 million versus \$7.2 million in Q1 2023. General and administrative expenses of \$6.6 million and versus \$6.2 million in Q1 2023.

Exploration and evaluation expenses increased by \$10.9 million in the first quarter of 2024 compared to the same period in 2023. This significant increase is primarily due to an increase in mining, technological, and process development of \$10.5 million, specifically tied to the increased geotechnical work, which was the majority of the costs incurred this quarter for offshore Campaign 8B, which concluded in February. Plus, some additional expenses incurred on the transportation of nodules to PAMCO's facility in Japan, and some higher personnel costs.

This is partially offset by a decrease in environmental study costs as the cost for Campaign 8, which commenced in the fourth quarter of 2023 was completed in the first quarter this year. General and administrative expenses increased slightly by \$0.4 million in the first quarter of 2024 compared to the first quarter of 2023. The increase is due to higher amortization of share-based comp and higher consulting fees offset by lower legal costs.

In the first quarter of 2024, the net cash used in operating activities amounted to \$11.9 million compared to \$23.5 million for the first quarter of 2023. The large gap between the net loss for Q1 2024 and the net cash used in operating activities for the same period is due to share-based compensation and expenses settled with equity and some changes in working capital.

The free cash flow for the first quarter of 2024 was negative \$12.1 million compared to negative \$23.5 million in the first quarter of 2023. Free cash flow is a non-GAAP measure, and I'd point you to the non-GAAP reconciliation table included in the slide deck and on our website.

Regarding the balance sheet, as at March 31, 2024, we closed the quarter with \$4.0 million in cash. And as we noted, we have sufficient liquidity on hand to continue to meet our working capital and capital expenditure requirements for at least the next 12 months from today.

So I'm now going to turn it back over to our Chairman and CEO, Gerard Barron for some closing remarks. And then from that point, we will take some questions both on the phone line as well as the webcast. Gerard, back over to you.

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

Yeah, thank you, Craig. As I said at our earnings press release, 2024 is the year when we expect most of the activist driven speculation about the environmental impacts of our emerging industry will be displaced by data and evidence. We're encouraged that an increasing number of countries and automakers are showing the courage to keep this transformational resource on the table.

And in the meantime, our executive team will continue the work of securing strategic partnerships while keeping our eye firmly focused on the date of first production, which marches ever closer.

I would like to extend my sincerest thanks to my TMC team, including our partners and contractors and of course, to our sponsoring states. And thanks to everyone who tuned in for your interest and attention.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

As those questions are being compiled, we can take a question from Eric Goldstein on the webcast. I'll put this to you first, Gerard, and then I can weigh in as well.

How do we expect the ISA meetings to go this year? Specifically, what do we expect in the July meeting, and the [big] (corrected by company after the call) question, when are all the rules and regs going to be passed?

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

Sure. Look, we are expecting solid progress. When the ISA meets again, of course, it will be the Legal and Technical Commission, the Council and the Assembly meeting. And so what we are looking for is progress. And of course, we had the legal right to lodge our application. We notified the market that we would not lodge an application until after the July session this year, and before the end of 2024.

And so we know that there is an enormous amount of work happening intersessionally. And I think what we are encouraged by is that the regulations now that there is a consolidated text that was debated back in the March session, is drawing to a -- what we think is a robust final version.

Operator

(Operator Instructions) Malcolm MacDonald, BofA.

Malcolm MacDonald - *Bank of America Merrill Lynch*

Hey guys. You know who is pushing this moratorium to Tesla and GM is an NGO. That's number one. Number two, if you could comment on Biden's Chinese EV tariffs today and Trump's subsequent comments and with regards how that affects the Inflation Reduction Act; specifically how it reflects to Tesla and GM? And then lastly what is the timeline for the Chinese entities that are -- that you mentioned earlier in the call, that are expected to conduct tests next year versus your timeline and if the United States wanted to get in the game independently, how late are they?

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Yeah. Look, so specifically starting with the shareholder proposals for GM and Tesla, the one for Tesla is specifically, they're called As You Sow. But look, for both GM and Tesla, we don't want to get into who's behind each of them, but yeah, it's NGO-driven. We also view it as very anti-science to effectively say, as all of this new data has been coming through, as Gerard said, almost on a daily basis. Some people are now recognizing that it's not confirming their previously held belief, almost the definition of confirmation bias.

So because of that, you're now seeing a push for something like this to be taken off the table at a time when many other automakers are being forced to invest elsewhere in rainforest nickel, which puts them in difficult position. So we think the science will continue to speak for itself. And frankly, we're very heartened by the fact that the Boards of both Tesla and GM recommended voting no against such proposals that we take clearly viable options off the table.

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

And on the China front, we -- of course, they are planning to lodge an application to be able to do a collector trial next year. And so that will take a year for the regulator to opine on that. And if I reflect on our own application, it was a big heavy lift. It required a lot of work. And that means they need to receive the approval to go and do that and then they need to go and do it. And so I think what the Chinese contractors have said quite openly is that they expect to be in production on the other side of this decade.

And so there's a lot of work. We were very fortunate to have a collector trial that ran so successfully in 2022, involved our first production vessel, the Hidden Gem. And as you know, we're getting that vessel ready for first production and we remain on track for that in 2026. So there is no doubt that we hold a competitive edge over all of the other contractors, including China. And that's a great opportunity for Western economies like the United States.

Now, tariffs to protect the automakers? Look, I don't really want to comment on that too much other than the Inflation Reduction Act was really intended to bring jobs in industry and secure supply lines and raw materials for American industry. And I think that there have been some uses of those funds, which potentially have simply, I guess, driven demand for electric vehicles, but have they really driven jobs in the United States?

And so what I think is there's a great opportunity and whether it's either of the names you mentioned as the future president of the United States. I think there will be more focus on how do you build jobs and how do you help those economies build independence and you can't do that without raw materials, without battery materials.

And so we're encouraged, as I said earlier, in the messaging that we're hearing out of DC. We continue to talk to relevant parties there. We continue to answer questions as they are asked. And based on the conversations that we're lucky enough to be part of, we're encouraged. And so the Inflation Reduction Act will hopefully be a very good thing. Some materials that are derived from polymetallic nodules, particularly those that TMC have their hands on.

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Yeah. I might also comment on that Malcolm, that we noted upfront really on slide 11, which I will pull up now if folks are able to see it -- you really can't get away from the fact that nodules are composed in such a manner that lines up not just with EVs, which is the focus of that question, but also so many other applications that are experiencing demand tailwinds, which you can't really change, of course, is some of the supply realities.

And even taking nickel, for example, nickel grades have declined over time. Copper grades have declined over time. It becomes more and more difficult to find new high-quality high-grade deposits of some of these metals on land. The change of that occurs, sometimes when you have a large new source like what you saw from Indonesian nickel supply over the last decade.

But even Indonesia knows that at this point, let's say, next decade, we're going to be running quite low on some of the higher grade reserves and there are going to be opportunities for nodules, given how much we've seen smelter capacity get built out. So the reality is certainly on the demand side, with the inflation reduction and acting on tariffs on EVs, perhaps some comments from Trump noting the things that he would do with the Inflation Reduction Act.

That's all quite marginal when it comes to the global demand for these metals and having this basket of very attractive commodities allows us to withstand fluctuations in a way that many land-based operators just aren't able to do.

Malcolm MacDonald - *Bank of America Merrill Lynch*

Thanks. So basically, to just square the circle here, the US is behind, China is trying to get ahead, but you guys are in first place. And in order for the US to compete with China, they're going to have to partner with someone like yourself.

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

Well that is their opportunity. That's for sure.

Malcolm MacDonald - *Bank of America Merrill Lynch*

Thanks, guys.

Operator

(Operator Instructions) Frank Jones, Norbury Partners

Frank Jones - *Norbury Partners - Analyst*

Hey, guys. Great update as usual. Two questions for me. First one, pretty quick, I think I know the answer, but just confirming. On a liquidity front, you mentioned we're good for 12 months meeting capital needs and just want to make sure that's inclusive of application demands. And I guess in that, I should read that major exploration and evaluation expenses are behind us?

And then the second one I ask this every time, but I know by the next time we have one of these calls, the pre-feasibility work will probably be out so any guidance on timing for that? And with that, the final agreements with PAMCO and Allseas and what those splits look like?

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Yeah, sure. Starting with those questions, I mean, let's start with the last one on the pre-feasibility side. Yeah, we're pushing very hard on that. We're very encouraged. Our teams have been in Japan and the Netherlands, respectively, within the last month. So there's a lot of on-the-ground work and cooperation which just shows how committed not only our team is, but the teams of our partners. So yes, we are not changing any update on timing or guidance on that front.

You did note in terms of us having the liquidity necessary to meet our working capital and capital expenditure requirements for at least the next 12 months, that's an analysis done on committed costs. But what I would draw you to is the typical guidance that we provide, which we're happy to reiterate that what we need to launch the application at some point following the July 2024 session of the ISA is an incremental \$35 million to \$45 million. You can then reduce that dollar for dollar for what we drew upon our credit facilities, \$2.9 million.

So that range that we came out with really two quarters ago -- actually more than two quarters ago, we'd continue to reiterate because the spending necessary to launch that application has been under tight controls by our team. So what I would say is keep that range in mind, and it's a range that is less than the total liquidity options that we have available to us, even though that may not be our ultimate choice on how we fund that next stage getting into production.

Frank Jones - *Norbury Partners - Analyst*

Got it. Super helpful. Thank you, both.

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Thank you.

Operator

Thank you. I'm currently showing no further questions over the phone line at this time. I'd now like to turn it back to Craig Shesky.

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

We got a couple more actually, and I'm happy to take a few on the webcast. There is a question from Rich Wesolowski: does the company need the US Senate to ratify the UN Convention [on the Law of the Sea] (added by company after the call) to succeed? The answer there is no. It's really to us a sign of the increased commitment from the US to the space, but also the recognition that the US truly should have a seat at the table in how this very important industry is going to be regulated.

And what we laid out in today's update was the actions of a lot of countries we showed on the slide in addition to the France-China joint statement, the new deep-sea mining legislation from Belgium, that builds upon the deep sea exploration news coming out of Norway earlier this year and then pending environmental work, potentially deep sea exploitation in Norwegian territorial waters.

There are just a lot of very large populous, credible industrial countries, and that includes India, and China, Japan and now the United States that are very interested in this industry. And frankly, if the US chose not to ratify the UN Convention and not take their full seat at the table at the ISA, it just continues to underscore that the only real way they can get access to this resource would be through a contractor like TMC.

And I think we have time for one more question. There is a question coming in from an anonymous investor: can we talk, Gerard, about where you're spending your time in terms of strategic partnerships? Any updates on those efforts on the strategic fronts and where our time is going to be spent in the coming months?

Gerard Barron - *TMC the metals company Inc - Chairman of the Board, Chief Executive Officer*

Well, I could share my diary, of course. That would be quite revealing. Look in the last six months in particular, we've spent a lot of time in Asia and mainly in Indonesia. And we're fascinated with Indonesia, of course, because it's where all of the growth in nickel material is coming from. Unfortunately, it's coming from nickel laterites, but they have built a very strong processing industry to be able to process those materials. And as we know, you can process our polymetallic nodules with that same infrastructure answer.

And so it's a very interesting opportunity for us. And there are some very strong cooperations there who are heavily involved in nickel. The Indonesian Government are trying to build out a battery materials supply chain even more extensively than they have now, by building battery refining. We saw companies like BYD announcing that they're actually going to build cars there.

And so there's no doubt things are moving in that country. But Asia is certainly a very friendly place for TMC right now. And we see tremendous opportunity, of course, by sending our nodules to places like Indonesia. We do believe that we can slow down the expansion of some of that nickel laterite resource development and replace rainforest nickel with nodules. And that's going to be a good thing for the planet. And it seems that that message is being well received in that country.

And of course, by being able to utilize that existing infrastructure means that we can toll our nodules through some of those processing plants, which means that we don't have to go and spend money to build processing.

My team and I were recently up in Japan. We've just had 2,000 tonnes of nodules arrive with our partner, PAMCO. And that's a company that's been processing nickel ores since the 1960s. They're an amazingly competent partner for us and perfect to get us started. So there are many opportunities around that region getting things done in Europe is harder, of course, and we do remain hopeful that in North America, our efforts in DC will be recognized. I don't think we'll ever build a pyrometallurgical plant in the USA. But I do believe that we can send our intermediate product into the USA for further refining into battery materials. And so we are continuing to make efforts in that area.

Craig Shesky - *TMC the metals company Inc - Chief Financial Officer*

Yeah, and that makes sense, too. And just adding a little color to you on the pyrometallurgical side. That focus on the refining of intermediate products potentially in the United States is firmly in line with the DC strategy we've been deploying this year. And as a lot of focus is on National Defense Authorization Act coming out this year, there continues to be a lot of support for feasibility work on something like that. And frankly, it makes perfect sense so that the US avoids falling further behind.

So that's all the time that we have today. But we appreciate all of you taking the time to join us, and we're certainly looking forward to sharing more progress on the next quarterly call. And for those of you who are already shareholders, we're looking forward to speaking to you at our Annual General Meeting.

So thank you very much. And I turn it back over to the operator.

Operator

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

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