

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-39281

TMC THE METALS COMPANY INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

Not Applicable

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

595 Howe Street, 10th Floor
Vancouver, British Columbia

V6C 2T5

(Address of principal executive offices)

(Zip Code)

(574) 252-9333
(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	TMC	The Nasdaq Stock Market LLC
Redeemable warrants, each whole warrant exercisable for one Common Share, each at an exercise price of \$11.50 per share	TMCWW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 10, 2024, the registrant had 320,510,004 common shares outstanding.

TMC THE METALS COMPANY INC.
FORM 10-Q
For the quarterly period ended March 31, 2024

TABLE OF CONTENTS

	<u>Page</u>
Cautionary Note Regarding Forward-Looking Statements	3
Part I	Financial Information
Item 1.	Financial Statements
	5
	Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023 (Unaudited)
	5
	Condensed Consolidated Statements of Loss and Comprehensive Loss for the three months ended March 31, 2024 and 2023 (Unaudited)
	6
	Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2024 and 2023 (Unaudited)
	7
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 (Unaudited)
	8
	Notes to Condensed Consolidated Financial Statements (Unaudited)
	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	33
Item 4.	Controls and Procedures
	35
Part II	Other Information
Item 1.	Legal Proceedings
	37
Item 1A.	Risk Factors
	38
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	38
Item 3.	Defaults Upon Senior Securities
	38
Item 4.	Mine Safety Disclosures
	38
Item 5.	Other Information
	38
Item 6.	Exhibits
	39
Signatures	40

In this Quarterly Report on Form 10-Q, the terms "we," "us," "our," the "Company" and "TMC" mean TMC the metals company Inc. and our subsidiaries. TMC is incorporated under the laws of the province of British Columbia, Canada. The Company's common shares and public warrants to purchase common shares trade on the Nasdaq Global Select Market ("Nasdaq"), under the symbols "TMC" and "TMCWW," respectively.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to future events, our future operations or financial performance, or our plans, strategies and prospects. These statements are based on the beliefs and assumptions of our management team. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or performance, are forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "scheduled," "anticipates" or "intends" or the negative of these terms, or other comparable terminology intended to identify statements about the future, although not all forward-looking statements contain these identifying words. The forward-looking statements are based on projections prepared by, and are the responsibility of, our management. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the commercial and technical feasibility of seafloor polymetallic nodule collection and processing;
- our and our partners' development and operational plans, including with respect to the planned uses of polymetallic nodules, where and how nodules will be obtained and processed, the expected environmental, social and governance impacts thereof and our plans to assess these impacts and the timing and scope of these plans, including the timing and expectations with respect to our receipt of exploitation contracts and our commercialization plans;
- the supply and demand for battery metals and battery cathode feedstocks, copper cathode and manganese ores;
- the future prices of battery metals and battery cathode feedstocks, copper cathode and manganese ores;
- the timing and content of International Seabed Authority's ("ISA") final exploitation regulations that will create the legal and technical framework for exploitation of polymetallic nodules in the Clarion Clipperton Zone of the Pacific Ocean ("CCZ");
- government regulation of mineral extraction from the deep seafloor and changes in mining laws and regulations;
- technical, operational, environmental, social and governance risks of developing and deploying equipment to collect and ship polymetallic nodules at sea, and to process such nodules on land;
- the sources and timing of potential revenue as well as the timing and amount of estimated future production, costs of production, other expenses, capital expenditures and requirements for additional capital;
- cash flow provided by operating activities;
- the expected activities of our partners under our key strategic relationships;
- the sufficiency of our cash on hand to meet our working capital and capital expenditure requirements, the need for additional financing and our ability to continue as a going concern;
- our ability to raise financing in the future, the nature of any such financing and our plans with respect thereto;
- any litigation to which we are a party;

[Table of Contents](#)

- claims and limitations on insurance coverage;
- our plans to mitigate our material weakness in our internal control over financial reporting;
- the restatement of our financial statements;
- geological, metallurgical and geotechnical studies and opinions;
- mineral resource estimates and our ability to define and declare reserve estimates;
- our status as an emerging growth company, non-reporting Canadian issuer and passive foreign investment company;
- infrastructure risks;
- dependence on key management personnel and executive officers;
- political and market conditions beyond our control;
- the impact of pandemics on our business; and
- our financial performance.

These forward-looking statements are based on information available as of the date of this Quarterly Report on Form 10-Q, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Important factors could cause actual results, performance or achievements to differ materially from those indicated or implied by forward-looking statements such as those described under the caption "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission ("SEC"), on March 25, 2024, as amended on April 18, 2024 (the "2023 Annual Report on Form 10-K"), as updated and/or supplemented in subsequent filings we make with the SEC. Such risks are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION**Item 1. Financial Statements**

TMC the metals company Inc.
Condensed Consolidated Balance Sheets
 (in thousands of US Dollars, except share amounts)
 (Unaudited)

ASSETS	Note	As at	As at
		March 31, 2024	December 31, 2023
Current			
Cash		\$ 3,991	\$ 6,842
Receivables and prepayments		1,953	1,978
		5,944	8,820
Non-current			
Exploration contracts		43,150	43,150
Equipment		1,048	1,133
Software development costs		1,718	1,643
Right-of-use asset	6	5,244	5,721
Investment	7	8,351	8,429
		59,511	60,076
TOTAL ASSETS		\$ 65,455	\$ 68,896
LIABILITIES			
Current			
Accounts payable and accrued liabilities		36,470	31,334
		36,470	31,334
Non-current			
Deferred tax liability		10,675	10,675
Royalty liability	7	14,000	14,000
Warrants liability	10	2,500	1,969
TOTAL LIABILITIES		\$ 63,645	\$ 57,978
EQUITY			
Common shares (unlimited shares, no par value – issued: 318,291,383 (December 31, 2023 – 306,558,710))		454,431	438,239
Additional paid in capital		122,691	122,797
Accumulated other comprehensive loss		(1,216)	(1,216)
Deficit		(574,096)	(548,902)
TOTAL EQUITY		1,810	10,918
TOTAL LIABILITIES AND EQUITY		\$ 65,455	\$ 68,896

Nature of Operations (Note 1)
Contingent Liabilities (Note 14)

The accompanying notes are an integral part of these unaudited condensed financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Loss and Comprehensive Loss
(in thousands of US Dollars, except share and per share amounts)
(Unaudited)

		Three months ended March 31, 2024	Three months ended March 31, 2023
	Note		
Operating expenses			
Exploration and evaluation expenses	8	\$ 18,123	\$ 7,169
General and administrative expenses		6,559	6,214
Operating loss		24,682	13,383
Other items			
Equity-accounted investment loss	7	78	219
Change in fair value of private warrants liability	10	531	544
Foreign exchange (gain) loss		(266)	29
Interest income		(102)	(454)
Fees and interest on credit facility	6,13	271	27
Loss and comprehensive loss for the period		\$ 25,194	\$ 13,748
Loss per share - basic and diluted		\$ 0.08	\$ 0.05
Weighted average number of Common Shares outstanding – basic and diluted		311,521,854	272,029,603

The accompanying notes are an integral part of these unaudited condensed financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Changes in Equity
(in thousands of US Dollars, except share amounts)
(Uunaudited)

	Common Shares		Additional Paid in Capital	Accumulated Other Comprehensive Loss			Total
	Shares	Amount					
Three months ended March 31, 2024							
January 1, 2024	306,558,710	\$ 438,239	\$ 122,797	\$ (1,216)	\$ (548,902)	\$ 10,918	
Issuance of shares and warrants under Registered Direct Offering, net of expenses (Notes 9, 10)	4,500,000	7,447	1,553	—	—	—	9,000
Exercise of stock options (Note 11)	120,000	144	46	—	—	—	190
Conversion of restricted share units, net of shares withheld for taxes (Note 11)	7,112,673	8,601	(8,601)	—	—	—	—
Share-based compensation and expenses settled with equity (Notes 10, 11)	—	—	6,896	—	—	—	6,896
Loss for the period	—	—	—	—	(25,194)	—	(25,194)
March 31, 2024	318,291,383	\$ 454,431	\$ 122,691	\$ (1,216)	\$ (574,096)	\$ 1,810	
Three months ended March 31, 2023							
January 1, 2023	266,812,131	\$ 332,882	\$ 184,960	\$ (1,216)	\$ (475,121)	\$ 41,505	
Shares issued to Allseas	10,850,000	9,394	—	—	—	—	9,394
Conversion of restricted share units, net of shares withheld for taxes	2,956,154	2,814	(2,814)	—	—	—	—
Share-based compensation and Expenses settled with equity	—	—	4,650	—	—	—	4,650
Loss for the period	—	—	—	—	(13,748)	—	(13,748)
March 31, 2023	280,618,285	\$ 345,090	\$ 186,796	\$ (1,216)	\$ (488,869)	\$ 41,801	

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

TMC the metals company Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands of US Dollars)
(Uunaudited)

	Note	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash provided by (used in)			
Operating activities			
Loss for the period		\$ (25,194)	\$ (13,748)
Items not affecting cash:			
Amortization		85	88
Lease expense	6	477	—
Share-based compensation and expenses settled with equity	11	6,896	4,650
Equity-accounted investment loss	7	78	219
Change in fair value of warrants liability	10	531	544
Unrealized foreign exchange movement		(293)	(20)
Changes in working capital:			
Receivables and prepayments		25	(459)
Accounts payable and accrued liabilities		5,543	(14,758)
Net cash used in operating activities		(11,852)	(23,484)
Investing activities			
Acquisition of equipment and software		(340)	—
Net cash used in investing activities		(340)	—
Financing activities			
Proceeds from Registered Direct Offering	9	9,000	—
Expenses paid for Registered Direct Offering	9	(142)	—
Proceeds from exercise of stock options	11	190	—
Proceeds from Low Carbon Royalties investment		—	5,000
Net cash provided by financing activities		9,048	5,000
Decrease in cash		\$ (3,144)	\$ (18,484)
Impact of exchange rate changes on cash		293	20
Cash - beginning of period		6,842	46,876
Cash - end of period		3,991	28,412

The accompanying notes are an integral part of these unaudited condensed financial statements.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

1. Nature of Operations

TMC the metals company Inc. ("TMC" or the "Company") was incorporated as a Cayman Islands exempted company limited by shares on December 18, 2019 and continued as a corporation under the laws of the province of British Columbia, Canada on September 9, 2021. The Company's corporate office, registered address and records office is located at 10th floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company's common shares and warrants to purchase common shares are listed for trading on the Nasdaq Global Select Market ("Nasdaq") under tickers "TMC" and "TMCWW", respectively.

The Company is a deep-sea minerals exploration company focused on the collection and processing of polymetallic nodules found on the seafloor in international waters of the Clarion Clipperton Zone in the Pacific Ocean ("CCZ"), located approximately 1,300 nautical miles southwest of San Diego, California. These nodules contain high grades of four metals (nickel, copper, cobalt, manganese) which can be used as (i) feedstock for battery cathode precursors (nickel, cobalt and manganese sulfates, or intermediate nickel-copper-cobalt matte) for electric vehicles ("EV") and renewable energy storage markets, (ii) copper cathode for EV wiring, energy transmission and other applications and (iii) manganese silicate for manganese alloy production required for steel production.

Exploration and exploitation of seabed minerals in international waters is regulated by the International Seabed Authority ("ISA"), an intergovernmental organization established pursuant to the 1994 Agreement Relating to the Implementation of the United Nations Convention on the Law of the Sea. The ISA grants contracts to sovereign states or to private contractors who are sponsored by a sovereign state. The Company's wholly owned subsidiary, Nauru Ocean Resources Inc. ("NORI"), was granted an exploration contract (the "NORI Exploration Contract") by the ISA in July 2011 under the sponsorship of the Republic of Nauru ("Nauru") giving NORI exclusive rights to explore for polymetallic nodules in an area covering 74,830 square kilometers in the CCZ ("NORI Area"). On March 31, 2020, the Company acquired Tonga Offshore Mining Limited ("TOML"), which was granted an exploration contract (the "TOML Exploration Contract") by the ISA in January 2012 under the sponsorship of the Kingdom of Tonga ("Tonga") and has exclusive rights to explore for polymetallic nodules covering an area of 74,713 square kilometers in the CCZ ("TOML Area"). Marawa Research and Exploration Limited ("Marawa"), an entity owned and sponsored by the Republic of Kiribati ("Kiribati"), was granted rights by the ISA to polymetallic nodules exploration in an area of 74,990 square kilometers in the CCZ ("Marawa Area"). In 2013, the Company through its subsidiary DeepGreen Engineering Pte. Ltd. ("DGE") entered into an option agreement (the "Marawa Option Agreement") with Marawa which granted DGE exclusive rights to manage and carry out all exploration and exploitation in the Marawa Area in return for a royalty payable to Marawa. The Company is working with its strategic partner and investor, Allseas Group S.A. ("Allseas"), to deliver a system to collect, lift and transport nodules from the seafloor to shore that meets the requirements of an early commercial production system (Note 6).

The realization of the Company's assets and attainment of profitable operations is dependent upon many factors including, among other things: financing being arranged by the Company to continue operations, development of a nodule collection system for the recovery of polymetallic nodules from the seafloor as well as development of processing technology for the treatment of polymetallic nodules at commercial scale, the establishment of mineable reserves, the commercial and technical feasibility of seafloor polymetallic nodule collection and processing, metal prices, and regulatory approvals and environmental permitting for commercial operations. The outcome of these matters cannot presently be determined because they are contingent on future events and may not be fully under the Company's control.

2. Basis of Presentation

These unaudited condensed consolidated interim financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") for interim financial statements. Accordingly, certain information and footnote disclosures required by U.S. GAAP have been condensed or omitted in these unaudited condensed consolidated interim financial statements pursuant to such rules and regulation. In management's opinion, these unaudited condensed consolidated interim financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company's statement of financial position, operating results for the periods presented, comprehensive loss, shareholder's equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2024 or for any other period. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2023. The Company has applied the same accounting policies as in the prior year, except as disclosed below.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

Comparative figures reported in the Condensed Consolidated Balance Sheet, for cash, receivables and prepayments, software development costs and equipment, and figures reported in the Condensed Consolidated Statements of Cash Flows, for expenses settled with equity and changes in working capital have been reclassified to conform to the current period's presentation.

3. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the notes thereto. Significant estimates and assumptions reflected in these condensed consolidated interim financial statements include, but are not limited to, the evaluation of going concern, the valuation of share-based payments, including valuation of incentive stock options (Note 11), valuation of Class A warrants (Note 9) as well as the valuation of private warrants (Note 10), the valuation of the Royalty liability (Note 7) and the valuation of leases (Note 6). Actual results could differ materially from those estimates.

4. Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. In accordance with US GAAP, the Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1** - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- **Level 2** - Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- **Level 3** - Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

There were no transfers between fair value measurement levels during the three months ended March 31, 2024, and 2023.

As at March 31, 2024, and December 31, 2023, the carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The financial instruments also include royalty liability, and warrants issued by the Company. These warrants are valued at fair value, which is disclosed in Note 10.

5. Recent Accounting Pronouncements Issued and Adopted

There were no recent accounting pronouncements issued and adopted by the Company during the period.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

6. Strategic Alliance with Allseas and Affiliates

Development of Project Zero Offshore Nodule Collection System

On March 16, 2022, NORI and Allseas entered into a non-binding term sheet for the development and operation of a commercial nodule collection system. During the three months ended March 31, 2024, in relation to the development of the commercial nodule collection system, Allseas provided the Company with engineering, project management and vessel use services consisting of lay-up and transit costs totaling \$3.7 million, recorded as mining, technological and process development within exploration and evaluation expenses (three months ended March 31, 2023 - \$ 1.0 million).

Exclusive Vessel Use Agreement with Allseas

On August 1, 2023, the Company entered into an Exclusive Vessel Use Agreement with Allseas pursuant to which Allseas will give exclusive use of the vessel ("Hidden Gem") to the Company in support of the development of the Project Zero Offshore Nodule Collection System until the system is completed or December 31, 2026, whichever is earlier. In consideration of the exclusivity term, the Company, on August 14, 2023, issued 4.15 million common shares to Allseas. Allseas can terminate the agreement if the Company ceases normal operations, assigns assets to creditors, initiates bankruptcy proceedings, or faces unresolved bankruptcy-related actions.

The Company has determined that the Exclusive Vessel Use Agreement with Allseas is a lease agreement, classified as an operating lease. On August 1, 2023, the Company recorded a lease liability amounting to \$6.5 million, which represents the fair value of 4.15 million common shares issued to Allseas on August 14, 2023, as consideration. The entire lease liability was settled within 14 days of the commencement of lease. On the date of the agreement, the Company recognized \$6.5 million as a right-of-use asset, which represented the present value of the lease payments.

For the three months ended March 31, 2024, the Company has recognized \$ 0.5 million as lease expense recorded as exploration and evaluation expense.

As at March 31, 2024, the net amount of the right-of-use asset is as follows:

	Right-of-use Asset
Balance as on December 31, 2023	\$ 5,721
Lease expense during the period	477
Balance as at March 31, 2024	\$ 5,244

Credit Facility with Allseas Affiliate

On March 22, 2023, the Company entered into an Unsecured Credit Facility Agreement, which was amended on July 31, 2023 ("Credit Facility"), with Argentum Credit Virtuti GCV (the "Lender"), the parent of Allseas Investments S.A. and an affiliate of Allseas, pursuant to which, the Company may borrow from the Lender up to \$25 million in the aggregate, from time to time, subject to certain conditions. All amounts drawn under the Credit Facility will bear interest based on the 6-month Secured Overnight Financing Rate, 180-day average plus a margin of 4.0% per annum payable in cash semi-annually (or plus 5% if paid-in-kind at maturity, at the Company's election) on the first business day of each of June and January. The Company will pay an underutilization fee equal to 4.0% per annum payable semi-annually for any amounts that remain undrawn under the Credit Facility. The Company has the right to pre-pay the entire amount outstanding under the Credit Facility at any time before the Credit Facility's maturity. The Company has the ability to settle certain charges under this Credit Facility in cash or in equity at the discretion of the Company. The Credit Facility also contains customary events of default. On March 22, 2024, the Company entered into the Second Amendment to the Unsecured Credit Facility with the Lender, the parent of Allseas Investments S.A. and an affiliate of Allseas, to extend the Credit Facility to August 31, 2025 and to provide that the underutilization fee thereunder shall cease to be payable after the date on which the Company or the Lender gives notice of termination of the agreement. Under the amended Credit Facility, the Company may borrow from the Lender up to \$25,000,000 in the aggregate through August 31, 2025.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

During the three months ended March 31, 2024, the Company has not drawn any amount from the Credit Facility and has incurred \$0.2 million (three months ended March 31, 2023: \$ 27 thousand) as underutilization fees.

As at March 31, 2024, the total amount payable to Allseas and its affiliates was \$ 17.5 million (December 31, 2023: \$13.8 million).

As at March 31, 2024, Allseas and its affiliates owned 53.8 million TMC common shares (2023: 53.8 million TMC common shares) which constituted 16.9% (December 31, 2023: 17.6%) of total common shares outstanding.

7. Investment in Low Carbon Royalties

On February 21, 2023 (the "Closing Date"), the Company and its wholly-owned subsidiary, NORI, entered into an investment agreement (the "Royalty Agreement") with Low Carbon Royalties, a private corporation formed under the laws of British Columbia, Canada, to finance low carbon emitting energy production and technologies (natural gas, nuclear, renewables), transition metals and minerals required for energy storage and electrification (Cu, Li, Ni, Co, Mn), and the evolving environmental markets (the "Partnership"). In connection with the Royalty Agreement, NORI contributed a 2% gross overriding royalty (the "NORI Royalty") on the Company's NORI project area in the CCZ in which NORI currently holds exclusive exploration rights for polymetallic nodules from the ISA to Low Carbon Royalties. The Company retained the right to repurchase up to 75% of the NORI Royalty at an agreed capped return, exercisable in two transactions, between the second and the tenth anniversaries of the Partnership. If both repurchase transactions are executed, the NORI Royalty will be reduced to 0.5%. At the Closing Date, Low Carbon Royalties also owned a 1.56% gross overriding royalty on a producing natural gas field in Latin America (the "LCR – owned Royalty"). In consideration of the NORI Royalty, TMC received 35.0% of the common shares issued by Low Carbon Royalties and \$ 5 million in cash, as of the Closing Date. In connection with the Royalty Agreement the Company entered into an Investor Rights Agreement with Low Carbon Royalties and a shareholder of Low Carbon Royalties, pursuant to which the Company and this shareholder each have a right, subject to certain percentage maintenance, to nominate a director to Low Carbon Royalties' board of directors, along with registration and information rights.

As a condition of closing the Royalty Agreement, the parties entered into an agreement with Low Carbon Royalties to mitigate risks associated with the potential termination of the exploitation license granted for one of the royalty-producing natural gas fields in Latin America (the "Exploitation License"). As per the agreement, 5 million contingent value rights ("CVR") were issued to NORI. The CVR would convert into 5 million additional shares of Low Carbon Royalties being issued to NORI, in the event the Exploitation License is found, in a final decision, to be invalid by the Colombian National Agency of Hydrocarbons prior to the earlier of (1) five years from the issuance of the CVR and (2) the date Low Carbon Royalties becomes a publicly listed entity.

Although the Company does not control Low Carbon Royalties (as per ASC 810), it does however exercise significant influence and therefore the equity method of accounting is applied (as per ASC 323).

On March 21, 2023, Low Carbon Royalties acquired additional gross overriding royalties on natural gas fields in Latin America, increasing its total gross overriding royalty on the existing first license block from 1.56% to 3.13% and acquiring a new gross overriding royalty of 1.44% on a second license block. The royalty acquisitions were financed through the issuance of Low Carbon Royalties common shares to the third-party vendor of such royalties, thereby reducing the Company's ownership in the Partnership to 32% from 35%.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

Based on the fair value of the NORI Royalty granted and the cash received, the Company recorded \$ 9 million as investment in Low Carbon Royalties on the Closing Date. For the three months ended March 31, 2024, the Company's share of the net loss generated by the Low Carbon Royalties was \$78 thousand (share of net loss for three months ended March 31, 2023: \$ 0.2 million).

	Investment
Fair value of NORI Royalty	\$ 14,000
Cash received	(5,000)
Cost of Investment on Closing Date	9,000
Equity-accounted investment loss for the year ended 2023	(571)
Investment as at December 31, 2023	<u>\$ 8,429</u>
Equity-accounted investment loss for the period ended March 31, 2024	78
Investment as at March 31, 2024	<u>\$ 8,351</u>

The NORI Royalty was recorded as a royalty liability in the consolidated Balance Sheet in accordance with ASC 470, Debt ("ASC 470"). The Company elected to account for the royalty liability at fair value through profit and loss. The fair value was determined using a market approach which entails examining recent royalty transactions prior to the reporting date, focusing on those transactions that involve similar metals as contained in NORI's polymetallic nodules. The Company compares the specific characteristics of these transactions to estimate the fair value. The fair value of the royalty liability as at March 31, 2024, remained unchanged at \$14 million.

Financial results of Low Carbon Royalties for the three months ended March 31, 2024 and March 31, 2023 are summarized below:

	March 31 2024	March 31 2023
Current Assets	\$ 1,257	1,123
Non-Current Assets	26,009	27,873
Current Liabilities	86	117
Royalty Income	\$ 394	25
Total Revenue	404	66
Comprehensive Loss for the period	<u>\$ (241)</u>	<u>(649)</u>

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

8. Exploration and Evaluation Expenses

The detail of exploration and evaluation expenses is as follows:

For the three months ended March 31, 2024	NORI Exploration Contract	Marawa Option Agreement	TOML Exploration Contract	Total
Environmental Studies	\$ 1,830	\$ —	\$ —	\$ 1,830
Exploration Labor	2,159	19	156	2,334
Share-Based Compensation (Note 11)	917	(9)	63	971
Mining, Technological and Process Development	11,260	—	338	11,598
Prefeasibility Studies	290	—	—	290
Sponsorship, Training and Stakeholder Engagement	687	35	151	873
Other	202	—	25	227
	\$ 17,345	\$ 45	\$ 733	\$ 18,123

For the three months ended March 31, 2023	NORI Exploration Contract	Marawa Option Agreement	TOML Exploration Contract	Total
Environmental Studies	\$ 2,618	\$ —	\$ —	\$ 2,618
Exploration Labor	1,078	45	133	1,256
Share-Based Compensation	828	26	83	937
Mining, Technological and Process Development	1,018	—	105	1,123
Prefeasibility Studies	384	—	—	384
Sponsorship, Training and Stakeholder Engagement	414	76	237	727
Other	92	—	32	124
	\$ 6,432	\$ 147	\$ 590	\$ 7,169

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

9. Registered Direct Offering

On August 14, 2023, the Company entered into a securities purchase agreement with certain investors, pursuant to which the Company agreed to sell and issue, in a registered direct offering (the "Registered Direct Offering") 12,461,540 common shares and issue Class A Warrants to purchase 6,230,770 common shares ("Class A Warrants") (Note 10). Each common share and accompanying Class A Warrant were sold at a price of \$2.00 per unit. The exercise price to purchase one common share under the Class A warrants is \$3.00, subject to adjustment as provided in the warrant agreement.

On January 30, 2024, the Company received the remaining committed funding of \$ 9 million (representing 4,500,000 common shares and 2,250,000 warrants) from an investor affiliated with the Company. The common shares and warrants were issued on January 31, 2024.

As at March 31, 2024, 12,461,540 common shares and Class A Warrants to purchase 6,230,770 common shares had been issued and the Company received gross proceeds amounting to \$24.9 million. The Company incurred \$1.3 million as offering expenses, resulting in net proceeds received of \$23.6 million. Out of the total net proceeds received of \$23.6 million, the net proceeds attributable to common shares were \$18.9 million and the net proceeds attributable to Class A Warrants were \$4.7 million.

10. Warrants

The Company issued 15,000,000 common share warrants as part of its predecessor's initial public offering in May 2020 ("Public Warrants") and 9,500,000 private placement common share warrants in a private placement simultaneously with the closing of its predecessor's initial public offering ("Private Warrants").

Public Warrants

As at March 31, 2024, 15,000,000 (March 31, 2023 - 15,000,000) Public Warrants were outstanding. Public Warrants may only be exercised for a whole number of shares.

As at March 31, 2024, the value of outstanding Public Warrants of \$ 19.5 million was recorded in additional paid in capital.

Private Warrants

As at March 31, 2024, 9,500,000 (March 31, 2023 - 9,500,000) Private Warrants were outstanding.

The Private Warrants were valued using a Black-Scholes model, which resulted in a Level 3 fair value measurement. The primary unobservable input utilized in determining the fair value of the Private Warrants was the expected volatility of the Company's common shares. The expected volatility was estimated using a binomial model based on consideration of the implied volatility from the Company's Public Warrants adjusted to account for the call feature of the Public Warrants at prices above \$18.00 during 20 trading days within any 30-day trading period and historical volatility of the share price of the common shares.

As at March 31, 2024, the fair value of outstanding Private Warrants of \$ 2.5 million is recorded as warrants liability. The following table presents the changes in the fair value of warrants liability:

	Private Warrants
Warrants liability as at December 31, 2023	\$ 1,969
Increase in fair value of warrants liability	531
Warrants liability as at March 31, 2024	\$ 2,500

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

The fair value of the Private Warrants was estimated using the following assumptions:

	March 31, 2024	December 31, 2023
Exercise price	\$ 11.50	\$ 11.50
Share price	\$ 1.10	\$ 1.10
Volatility	103.00 %	105.34 %
Term	2.44 years	2.69 years
Risk-free rate	4.39 %	3.98 %
Dividend yield	0.0 %	0.0 %

There were no exercises or redemptions of the Public Warrants or Private Warrants during the three-month period ended March 31, 2024.

Class A Warrants

On January 31, 2024, the Company issued the remaining 2,250,000 Class A Warrants, after receiving the remaining committed funding from the Registered Direct Offering of \$9 million (Notes 9 and 13). These Class A Warrants were valued on January 31, 2024 using a Monte Carlo simulation, at a fair value of \$0.69 per warrant. The fair value of the Class A Warrants was estimated using the following assumptions:

	January 31, 2024
Exercise price	\$ 3.00
Share price	\$ 1.31
Call price threshold	\$ 6.50
Volatility	105.08 %
Term (years)	3.92
Risk-free rate	3.89 %
Dividend yield	0.0 %

On January 31, 2024, the Company recorded the fair value of the remaining 2,250,000 Class A warrants amounting to \$ 1.6 million as additional paid in capital. As at March 31, 2024, the value recorded in additional paid in capital of all outstanding Class A Warrants was \$4.8 million (December 31, 2023 - \$3.2 million).

11. Share-Based Compensation

The Company's 2021 Incentive Equity Plan (the "Plan") provides that the aggregate number of common shares reserved for future issuance under the Plan as of March 31, 2024, is 56,634,518 common shares, including 12,262,348 shares added to the Plan in January 2024 pursuant to the Plan's automatic annual increase provision, provided that 2,243,853 of the outstanding common shares shall only be available for awards made to non-employee directors of the Company. On the first day of each fiscal year from 2022 to 2031, the number of common shares that may be issued pursuant to the Plan is automatically increased by an amount equal to the lesser of 4% of the number of outstanding common shares or an amount determined by the board of directors.

Stock options

As at March 31, 2024, there were 14,954,240 stock options outstanding under the Company's Short-Term Incentive Plan ("STIP") and 9,644,874 stock options outstanding under the Company's Long-Term Incentive Plan ("LTIP"). The Company makes awards under the STIP and LTIP under its equity incentive plans in effect at the time of the award, which is currently the Plan.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

A continuity schedule summarizing the movements in the Company's stock options under the STIP and LTIP plans is as follows:

	Number of Options Outstanding under STIP	Number of Options Outstanding under LTIP
Outstanding – December 31, 2022	15,356,340	9,783,922
Expired	(162,100)	—
Exercised	(120,000)	—
Outstanding – December 31, 2023	15,074,240	9,783,922
Forfeited	—	(139,048)
Exercised	(120,000)	—
Outstanding – March 31, 2024	14,954,240	9,644,874

During the three months ended March 31, 2024, the Company recognized \$ 47 thousand of share-based compensation expense for stock options (issued under STIP plans) in the statement of loss and comprehensive loss (three months ended March 31, 2023: \$0.2 million). For the three months ended March 31, 2024, a total of \$ 14 thousand of this share-based compensation expense was related to exploration and evaluation activities (three months ended March 31, 2023 - \$0.1 million). The amount of this share-based compensation expense recognized related to general and administrative matters for three months ended March 31, 2024, was \$33 thousand (three months ended March 31, 2023 - \$0.1 million).

During the three months ended March 31, 2024, the Company reversed \$ 0.6 million of previously recognized share-based compensation expense to record the forfeiture of unvested stock options (issued under LTIP plans) in the statement of loss and comprehensive loss (three months ended March 31, 2023: \$nil) evenly apportioned between exploration and evaluation expenses (Note 8) and general and administration expenses.

Restricted Share Units ("RSU")

The Company may, from time to time, grant RSUs to directors, officers, employees, and consultants of the Company and its subsidiaries under the Plan. On each vesting date, RSU holders are issued common shares equivalent to the number of RSUs held provided the holder is providing service to the Company on such vesting date.

A summary of the RSU activity during the three months ended March 31, 2024 is presented in the table below:

	Number of RSUs Outstanding
Outstanding – December 31, 2023	12,484,880
Granted	10,962,024
Forfeited	(226,054)
Exercised	(7,112,673)
Outstanding – December 31, 2024	16,108,177

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

The details of RSUs granted by the Company during the three months ended March 31, 2024 are as follows:

Vesting Period	Three months	Three months
	ended March 31, 2024	ended March 31, 2023
Vesting Immediately ⁽¹⁾⁽²⁾	3,800,435	3,237,710
Vesting fully on the first anniversary of the grant date	17,241	—
Vesting in thirds on each anniversary of the grant date ⁽³⁾	7,144,348	8,683,486
Vesting in fourths on each anniversary of the grant date	—	343,750
Total Units Granted	10,962,024	12,264,946

1. Of the 3,800,435 RSUs vesting immediately on grant date, 2,812,802 RSUs were issued to settle liabilities with a carrying amount of \$4.1 million, at a weighted average grant date fair value of \$ 1.44 per RSU.
2. During the three months ended March 31, 2024, the Company granted 46,333 RSUs to consultants (three months ended March 31, 2023: 23,438 RSUs) resulting in \$84 thousand, charged as general and administrative expenses for the three months ended March 31, 2024 (three months ended March 31, 2023: \$23 thousand of general and administrative expenses). During the three months ended March 31, 2024, the Company also granted 27,323 RSUs to consultants as a prepayment for their services (three months ended March 31, 2023: nil).
3. During the three months ended March 31, 2024, the Company granted 7,144,348 RSUs, as payment for the 2023 LTIP awards (three months ended March 31, 2023: 8,645,465 RSUs were issued as payment for the 2022 LTIP awards).

The grant date fair value of RSUs is equivalent to the closing share price of the Company's common shares on the date of grant. During the three months ended March 31, 2024, a total of \$3.2 million was charged to the statement of loss and comprehensive loss as share-based compensation expense for RSUs (three months ended March 31, 2023: \$1.6 million). Share-based compensation expense for RSUs totaling \$2 million related to general and administration matters was charged to the statement of loss and comprehensive loss for the three months ended March 31, 2024 (three months ended March 31, 2023: \$0.7 million). The Company recorded a total of \$1.2 million of share-based compensation expense for RSUs related to exploration and evaluation activities for the three months ended March 31, 2024 (three months ended March 31, 2023: \$0.9 million). As at March 31, 2024, total unrecognized share-based compensation expense for RSUs was \$14.8 million (December 31, 2023 - \$6.9 million).

As at March 31, 2024, an aggregate of 402,922 vested RSUs were being processed and due to be converted into common shares.

Employee Stock Purchase Plan

On May 31, 2022, TMC's 2021 Employee Stock Purchase Plan ("ESPP") was approved at the Company's 2022 annual shareholders meeting. As of March 31, 2024, there were 10,998,032 common shares reserved for issuance under the ESPP. This included 3,065,587 shares added to the ESPP in January 2024 pursuant to the ESPP's automatic annual increase provision. Under the ESPP, the number of shares reserved for issuance is subject to an annual increase provision which provides that on the first day of each of the Company's fiscal years starting in 2022, common shares equal to the lesser of (i) 1% percent of the common shares outstanding on the last day of the immediately preceding fiscal year, or (ii) such lesser number of shares as is determined by the board of directors will be added to the ESPP.

During the first quarter of 2024, a total of \$ 18 thousand (three months ended March 31, 2023: \$ 19 thousand) was charged to the statement of loss and comprehensive loss as share-based compensation expense, representing the share price purchase discount offered by the Company. From the amount charged during the three months ended March 31, 2024, \$9 thousand was recorded in exploration and evaluation expenses (three months ended March 31, 2023: \$7 thousand) and \$9 thousand was recorded in general and administrative expenses (three months ended March 31, 2023: \$12 thousand).

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Uunaudited)

12. Loss per Share

Basic loss per share is computed by dividing the loss by the weighted-average number of common shares of the Company outstanding during the period. Diluted loss per share is computed by giving effect to all common share equivalents of the Company, including outstanding stock options, RSUs, warrants, Special Shares and options to purchase Special Shares, to the extent these are dilutive. Basic and diluted loss per share was the same for each period presented as the inclusion of all common share equivalents would have been anti-dilutive.

Anti-dilutive equivalent common shares were as follows:

	For the three months ended March 31, 2024	For the three months ended March 31, 2023
Outstanding options to purchase common shares	24,599,114	25,140,262
Outstanding RSUs	16,108,177	13,123,935
Outstanding shares under ESPP	28,796	68,333
Outstanding warrants	30,730,770	36,078,620
Outstanding Special Shares and options to purchase Special Shares	136,239,964	136,239,964
Total anti-dilutive common equivalent shares	207,706,821	210,651,114

13. Related Party Transactions

The Company's subsidiary, DeepGreen Engineering Pte. Ltd., is engaged in a consulting agreement with SSCS Pte. Ltd. ("SSCS") to manage offshore engineering studies. A director of DGE is employed through SSCS. Consulting services during the three months ended March 31, 2024 totaled \$25 thousand, (three months ended March 31, 2023: \$69 thousand), out of which a total \$18 thousand (2023: \$55 thousand), is disclosed as exploration labor within exploration and evaluation expenses (Note 8) and \$ 7 thousand is disclosed as general and administrative expenses (2023: \$14 thousand). As at March 31, 2024, the amount payable to SSCS was \$8 thousand (December 31, 2023 - \$17 thousand).

The Company's Chief Ocean Scientist provides consulting services to the Company through Ocean Renaissance LLC ("Ocean Renaissance") where he is a principal. Consulting services during the three months ended March 31, 2024 amounted to \$50 thousand (2023: \$94 thousand), out of which \$23 thousand (2023: \$42 thousand), is disclosed as exploration labor within exploration and evaluation expenses (Note 8) and \$27 thousand is disclosed as general and administrative expenses (2023: \$ 52 thousand). As at March 31, 2024, the amount payable to Ocean Renaissance was \$25 thousand (December 31, 2023- \$25 thousand).

On January 30, 2024, as part of the Registered Direct Offering (Note 9), the Company received the remaining committed funding of \$9 million from ERAS Capital LLC, the investment fund of one of the Company's Directors.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

On March 22, 2024, the Company entered into an Unsecured Credit Facility (the "2024 Credit Facility") with Gerard Barron, the Company's Chief Executive Officer and Chairman, and ERAS Capital LLC, the family fund of one of the Company's director, (collectively, the "2024 Lenders"), pursuant to which, the Company may borrow from the 2024 Lenders up to \$20,000,000 in the aggregate (\$10,000,000 from each of the 2024 Lenders), from time to time, subject to certain conditions. All amounts drawn under the 2024 Credit Facility will bear interest at the 6-month Secured Overnight Funding Rate (SOFR), 180-day average plus 4.0% per annum payable in cash semi - annually (or plus 5% if paid - in - kind at maturity, at our election) on the first business day of each of June and January. The Company will pay an underutilization fee equal to 4.0% per annum payable semi-annually for any amounts that remain undrawn under the 2024 Credit Facility. The Company has the right to pre-pay the entire amount outstanding under the 2024 Credit Facility at any time, before the 2024 Credit Facility's maturity of September 22, 2025. The 2024 Credit Facility also contains customary events of default. The 2024 Credit Facility will terminate automatically if the Company or any of its subsidiaries raise at least \$50,000,000 in the aggregate (i) through the issuance of any of the Company's or its subsidiaries' debt or equity securities, or (ii) in prepayments under an off-take agreement or similar commercial agreement. During the three months ended March 31, 2024, the Company had not drawn any amount from the 2024 Credit Facility and had incurred \$22 thousand as underutilization fees, which would be payable only in the event the 2024 Credit Facility is not drawn down upon at the time such fees are payable. As of May 13, 2024, the Company drew \$2.9 million from the 2024 Credit Facility.

Apart from the above-mentioned transactions, the Company had transactions with Allseas which are detailed in Note 6.

14. Contingent Liabilities

Contingent Liability

On October 28, 2021, a shareholder filed a putative class action against the Company, one of the Company's executives and a former director in federal district court for the Eastern District of New York, captioned Caper v. TMC The Metals Company Inc. F/K/A Sustainable Opportunities Acquisition Corp., Gerard Barron and Scott Leonard. The complaint alleges that all defendants violated Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and Messrs. Barron and Leonard violated Section 20(a) of the Exchange Act, by making false and/or misleading statements and/or failing to disclose information about the Company's operations and prospects during the period from March 4, 2021 and October 5, 2021. On November 15, 2021, a second complaint containing substantially the same allegations was filed, captioned Tran v. TMC the Metals Company, Inc. These cases have been consolidated. On March 6, 2022, a lead plaintiff was selected. An amended complaint was filed on May 12, 2022, reflecting substantially similar allegations, with the Plaintiff seeking to recover compensable damages caused by the alleged wrongdoings. The Company denies any allegations of wrongdoing and filed and served the plaintiff a motion to dismiss on July 12, 2022 and intend to defend against this lawsuit. On July 12, 2023, an oral hearing on the motion to dismiss was held. The parties are currently awaiting a ruling. There is no assurance, however, that the Company or the other defendants will be successful in its defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. If the motion to dismiss is unsuccessful, there is a possibility that the Company may incur a loss in this matter. Such losses or range of possible losses either cannot be reliably estimated. A resolution of this lawsuit adverse to the Company or the other defendants, however, could have a material effect on the Company's financial position and results of operations in the period in which the lawsuit is resolved.

TMC the metals company Inc.
Notes to Condensed Consolidated Financial Statements
(in thousands of US Dollars, except share and per share amounts and unless otherwise stated)
(Unaudited)

On January 23, 2023, certain investors in the 2021 private placement from the Business Combination filed a lawsuit against the Company in the Commercial Division of New York Supreme Court, New York County, captioned Atalaya Special Purpose Investment Fund II LP et al. v. Sustainable Opportunities Acquisition Corp. n/k/a TMC The Metals Company Inc., Index No. 650449/2023 (N.Y. Sup. Ct.). The Company filed a motion to dismiss on March 31, 2023, after which the plaintiffs filed an amended complaint on June 5, 2023. The amended complaint alleges that the Company breached the representations and warranties in the plaintiffs' private placement Subscription Agreements and breached the covenant of good faith and fair dealing. The Plaintiffs are seeking to recover compensable damages caused by the alleged wrongdoings. The Company denies any allegations of wrongdoing and filed a motion to dismiss the amended complaint on July 28, 2023. On December 7, 2023, the Court granted the Company's motion to dismiss the claim for breach of the covenant of good faith and fair dealing and denied the Company's motion to dismiss the breach of the Subscription Agreement claim. The Company filed a notice of appeal regarding the Court's denial of its motion to dismiss the breach of the Subscription Agreement claim. There is no assurance that the Company will be successful in its defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. Such losses or range of possible losses cannot be reliably estimated.

15. Segmented Information

The Company's business consists of only one operating segment, namely exploration of seafloor polymetallic nodules, which includes the development of a metallurgical process to treat such seafloor polymetallic nodules.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provide information which management believes is relevant to an assessment and understanding of our condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto for the year ended December 31, 2023 contained in our 2023 Annual Report on Form 10-K. This discussion contains forward looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Risk Factors" in Item 1A of Part I of the 2023 Annual Report on Form 10-K, as updated and/or supplemented in subsequent filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references to "we", "us", "our", "TMC" and "the Company" are intended to mean the business and operations of TMC the metals company Inc. and its consolidated subsidiaries. The unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023, respectively, present the financial position and results of operations of TMC the metals company Inc. and its consolidated subsidiaries.

Overview

We are a deep-sea minerals exploration company focused on the collection, processing and refining of polymetallic nodules found on the seafloor in international waters of the Clarion Clipperton Zone ("CCZ"), about 1,500 miles south-west of San Diego, California. The CCZ is a geological submarine fracture zone of abyssal plains and other formations in the Eastern Pacific Ocean, with a length of around 7,240 km (4,500 miles) that spans approximately 4,500,000 square kilometers (1,700,000 square miles). Polymetallic nodules are discrete rocks that sit unattached to the seafloor, occur in significant quantities in the CCZ and have high concentrations of nickel, manganese, cobalt and copper in a single rock.

These four metals contained in the polymetallic nodules are critical for the transition to low carbon energy. Our resource definition work to date shows that nodules in our contract areas represent the world's largest estimated undeveloped source of critical battery metals. If we are able to collect polymetallic nodules from the seafloor on a commercial scale, we plan to use such nodules to produce three types of metal products: (i) feedstock for battery cathode precursors (nickel and cobalt sulfates, or intermediary nickel-copper-cobalt matte, or nickel-copper-cobalt alloy) for electric vehicles ("EV") and renewable energy storage markets, (ii) copper cathode for EV wiring, energy transmission and other applications, and (iii) manganese silicate for manganese alloy production required for steel production. Our mission is to build a carefully managed, shared stock of metal (a "metal commons") that can be used, recovered and reused for generations to come. Significant quantities of newly mined metal are required because existing metal stocks are insufficient to meet rapidly rising demand.

Exploration and exploitation of seafloor minerals in international waters is regulated by the International Seabed Authority ("ISA"), an intergovernmental organization established pursuant to the 1994 Agreement Relating to the Implementation of the United Nations Convention on the Law of the Sea ("UNCLOS"). The ISA grants contracts to sovereign states or to private contractors who are sponsored by a sovereign state. The ISA requires that a contractor must obtain and maintain sponsorship by a host nation that is a member of the ISA and signatory to UNCLOS, and such nation must maintain effective supervision and regulatory control over such sponsored contractor. The ISA has issued a total of 19 polymetallic nodule exploration contracts covering approximately 1.28 million square kilometers, or 0.4% of the global seafloor, 17 of which are in the CCZ. We hold exclusive exploration and commercial rights to three of the 17 polymetallic nodule contract areas in the CCZ; two based on ISA exploration contracts through our subsidiaries Nauru Ocean Resources Inc. ("NORI") and Tonga Offshore Mining Limited ("TOML"), sponsored by the Republic of Nauru ("Nauru") and the Kingdom of Tonga ("Tonga"), respectively, and exclusive commercial rights through our subsidiary, DeepGreen Engineering Pte. Ltd.'s ("DGE"), and its arrangement with Marawa Research and Exploration Limited ("Marawa"), a company owned and sponsored by the Republic of Kiribati ("Kiribati").

[Table of Contents](#)

We have key strategic alliances with (i) Allseas, a leading global offshore contractor, which developed and tested a pilot collection system, which is expected to be modified into the first commercial production system and (ii) Glencore which holds offtake rights to 50% of the NORI nickel and copper production. In addition, we have worked with an engineering firm Hatch Ltd. (Hatch) and consultants Kingston Process Metallurgy Inc. (KPM) to develop a near-zero solid waste flowsheet. The primary processing stages of the flowsheet from nodule to NiCuCo matte intermediate were demonstrated as part of our pilot plant program at FLSmidth and XPS' facilities. The matte refining stages are being tested at SGS Lakefield. The near-zero solid waste flowsheet provides a design that is expected to serve as the basis for our onshore processing facilities. After several months of pre-feasibility work in 2022 on the possibility of building a processing facility in India for Project Zero, we decided to adopt a capital-light approach and focus on sourcing an existing processing facility requiring lower capital expenditures and which we believe may offer a lower risk solution to get Project Zero into production. In November 2022, we entered into a non-binding Memorandum of Understanding ("MoU") with Pacific Metals Co Ltd (PAMCO) of Japan pursuant to which PAMCO completed prefeasibility work assessing the prospect of processing nodules using their existing facilities. In November 2023, we entered into a binding MoU with PAMCO whereby they must complete a feasibility study (expected to be completed during the fourth quarter of 2024) to toll treat 1.3 million tonnes of wet polymetallic nodules per year at its Hachinohe, Japan smelting facility expected to start in the second quarter of 2026, provided we obtain an exploitation contract from the ISA as expected. The toll treatment is intended to take place on a dedicated Rotary Kiln Electric Arc Furnace (RKEF) processing line and produce two products: nickel-copper-cobalt alloy, an intermediate product used as feedstock to produce Li-ion battery cathodes, and a manganese silicate product used to make silico-manganese alloy, a critical input into steel manufacturing. We expect this partnership to progress to a definitive tolling agreement before the end of 2024, subject to successful evaluation study outcomes and agreement to mutually acceptable commercial terms. There can be no assurance that we will enter into such definitive strategic alliance in a particular time period, or at all, or on terms similar to those set forth in the binding MoU, or that if such definitive tolling agreement is entered into by us or that the existing facility will be able to successfully process nodules in a particular time period, or at all.

We are currently focused on preparing our application to the ISA for our first exploitation contract for the NORI Area D contract area following the July 2024 meetings of the ISA.

We expect to commence production offshore at the end of the first quarter of 2026, assuming an ISA application review and approval process of approximately one year.

To reach our objective and initiate commercial production, we are: (i) defining our resource and project economics, (ii) developing a commercial offshore nodule collection system, (iii) assessing the environmental and social impacts of offshore nodule collection, and (iv) developing onshore technology to process collected polymetallic nodules into a manganese silicate product, and an intermediate nickel-copper-cobalt alloy or matte product and/or end-products like nickel and cobalt sulfates, and copper cathode.

We are still in the exploration phase and have not yet declared mineral reserves. In addition, we do not have the applicable environmental and other permits required to build and/or operate commercial scale polymetallic nodule processing and refining plants on land.

Developments in the First Quarter 2024

Below are some of the major developments that occurred in the first quarter of 2024:

Amendment to Credit Facility with Allseas Affiliate

On March 22, 2024, we entered into the Second Amendment to the Unsecured Credit Facility with Argentum Credit Virtuti GCV (the Lender), the parent of Allseas Investments S.A. and an affiliate of Allseas, to further extend the Credit Facility to August 31, 2025 and to provide that the underutilization fee thereunder shall cease to be payable after the date on which we or the Lender gives notice of termination of the agreement (as amended by this amendment and the July 2023 amendment, the "Credit Facility"). Under the Credit Facility, we may borrow from the Lender up to \$25,000,000 in the aggregate through August 31, 2025.

[Table of Contents](#)

Credit Facility with ERAS Capital LLC and Gerard Barron

On March 22, 2024, we entered into an Unsecured Credit Facility (the “2024 Credit Facility”) with Gerard Barron, our Chief Executive Officer and Chairman, and ERAS Capital LLC, the family fund of our director, Andrei Karkar (collectively, the “2024 Lenders”), pursuant to which, we may borrow from the 2024 Lenders up to \$20,000,000 in the aggregate (\$10,000,000 from each of the 2024 Lenders), from time to time, subject to certain conditions. All amounts drawn under the 2024 Credit Facility will bear interest at the 6-month Secured Overnight Funding Rate (SOFR), 180-day average plus 4.0% per annum payable in cash semi-annually (or plus 5% if paid-in-kind at maturity, at our election) on the first business day of each of June and January. We will pay an underutilization fee equal to 4.0% per annum payable semi-annually for any amounts that remain undrawn under the 2024 Credit Facility. We have the right to pre-pay the entire amount outstanding under the 2024 Credit Facility at any time, before the 2024 Credit Facility’s maturity of September 22, 2025. The 2024 Credit Facility also contains customary events of default. The 2024 Credit Facility will terminate automatically if we or any of our subsidiaries raise at least USD \$50,000,000 in the aggregate (i) through the issuance of any of our or our subsidiaries’ debt or equity securities, or (ii) in prepayments under an off-take agreement or similar commercial agreement. As of May 13, 2024, the Company drew \$2.9 million from the 2024 Credit Facility

ISA Consolidated Draft Regulations

In February 2024, the ISA published a consolidated set of draft regulations for the first time, harmonizing and cleaning up the text thereof. The 225-page text is comprehensive and signals the next phase in the negotiations to finalize the regulations. Part 1 of the ISA’s 29th Session took place between March 18-29, 2024. During the Session, the ISA Council commenced negotiations on the new consolidated text and identified a number of issues for negotiation inter-sessionally.

Responsible Use of Seafloor Resources Act (RUSRA)

In March 2024, legislation was introduced in the U.S. House of Representatives calling for the U.S. to “support international governance of seafloor resource exploration and responsible polymetallic nodule collection by allied partners”, and to “provide financial, diplomatic, or other forms of support for seafloor nodule collection, processing and refining.”

Developments Subsequent to March 31, 2024

World-First Production of Nickel Sulfate from Deep-Seafloor Polymetallic Nodules

In April 2024, we announced that we had successfully produced the world’s first nickel sulfate derived exclusively from seafloor polymetallic nodules during pilot-scale nodule processing. In partnership with SGS Canada Inc, the testing was undertaken on samples of nickel-cobalt-copper matte produced by TMC in 2021 using the Company’s efficient flowsheet to process high-grade nickel matte directly to nickel sulfate without making nickel metal, while producing fertilizer byproducts instead of solid waste or tailings.

Extensive Submission of Deep-Sea Environmental Data to the ISA

In May 2024, we announced that our subsidiary NORI had made a second submission of key environmental data from all prior environmental baseline campaigns conducted in the NORI-D exploration area up to January 2022 to DeepData, an open database of contractor data managed by the ISA. The submission of this batch of data includes an extensive set of geochemical and biological samples from across the water column.

Steve Jurvetson Joins TMC’s Board of Directors as Vice Chairman and Special Advisor to the CEO

In April 2024, renowned Silicon Valley investor Steve Jurvetson joined our board of directors as Vice Chairman and special advisor to the CEO. Mr. Jurvetson is an investor focused on founder-led, mission-driven companies at the cutting edge of disruptive technology and new industry formation. His investments include pioneering technology companies like Tesla, Planet Labs, SpaceX and Commonwealth Fusion Systems, and represent over \$800 billion in aggregate value creation.

[Table of Contents](#)

Exploration Contracts

We currently hold exclusive exploration rights to certain polymetallic nodule areas in the CCZ through our subsidiaries NORI and TOML, sponsored by the Republic of Nauru and the Kingdom of Tonga, respectively, and exclusive commercial rights through our subsidiary's (DGE), arrangement with Marawa, a company owned and sponsored by the Republic of Kiribati.

NORI. NORI our wholly-owned subsidiary, holds exploration rights to four blocks (NORI Area A, B, C, and D, the "NORI Contract Area") covering 74,830 square kilometers in the CCZ that were granted by the ISA in July 2011. NORI is sponsored by Nauru pursuant to a certificate of sponsorship signed by the Government of Nauru on April 11, 2011. The D block of the NORI area ("NORI Area D") is the seafloor parcel where we have performed the most resource definition and environmental work to date. NORI commissioned AMC Consulting Ltd, a leading mining consulting firm (AMC), to undertake a preliminary economic assessment ("PEA") of the mineral resource contained in NORI Area D and to compile a technical report compliant with Canadian National Instrument (NI 43-101), which was completed in March 2021. AMC subsequently compiled the NORI Technical Report Summary, dated March 2021, which included an initial assessment and an economic analysis of NORI Area D prepared in accordance with the SEC's Modernization of Property Disclosures for Mining Registrants set forth in subpart 1300 of Regulation S-K (the "SEC Mining Rules"). The NORI Technical Report Summary is filed as Exhibit 96.1 in our 2023 Annual Report on Form 10-K.

TOML. TOML our wholly-owned subsidiary which we acquired in March 2020, holds exploration rights to an area covering 74,713 square kilometers in the CCZ that were granted by the ISA in January 2012 (the "TOML Contract Area"). On March 8, 2008, Tonga and TOML entered into a sponsorship agreement formalizing certain obligations of the parties in relation to TOML's exploration application to the ISA (subsequently granted) for the TOML Contract Area. The sponsorship agreement was updated on September 23, 2021. TOML commissioned a Technical Report Summary by AMC, dated March 2021, which is filed as Exhibit 96.2 in our 2023 Annual Report on Form 10-K.

Marawa. DGE, our wholly-owned subsidiary, entered into agreements with Marawa and Kiribati which provide DGE with exclusive exploration rights to an area covering 74,990 square kilometers in the CCZ (the "Marawa Contract Area"). The exploration contract between Marawa and the ISA (the "Marawa Exploration Contract") was signed on January 19, 2015. To date, limited offshore marine resource definition activities in the Marawa Contract Area have occurred. We are collaborating with Marawa to assess the viability of any potential project in the Marawa Contract Area, although the timing of such assessment is uncertain. Marawa has delayed certain of its efforts in the Marawa Contract Area while it determines how it will move forward with additional assessment work.

Key Trends, Opportunities and Uncertainties

We are currently a pre-revenue company and we do not anticipate earning revenues until such time as NORI receives an exploitation contract from the ISA and we are able to successfully collect and process polymetallic nodules into saleable products on a commercial scale. We believe that our performance and future success pose risks and challenges, including those related to: finalization of ISA regulations to allow for commercial exploitation, approval of an application for the ISA exploitation contract, development of environmental regulations associated with our business and development of our technologies to collect and process polymetallic nodules. These risks, as well as other risks, are discussed in the section entitled "Risk Factors" in Item 1A of Part I of the 2023 Annual Report on Form 10-K, as further updated and/or supplemented in subsequent filings with the SEC.

Basis of Presentation

We currently conduct our business through one operating segment. As a pre-revenue company with no commercial operations, our activities to date have been limited. Our results are reported under Generally Accepted Accounting Principles in the United States ("U.S. GAAP") and in U.S. dollars.

Components of Results of Operations

We are an exploration-stage company with no revenue to date and a net loss of \$25.2 million for the three months ended March 31, 2024, compared to a net loss of \$13.7 million in the same period of 2023. We have an accumulated deficit of approximately \$574.1 million from inception through March 31, 2024.

[Table of Contents](#)

Our historical results may not be indicative of our future results for reasons that may be difficult to anticipate. Accordingly, the drivers of our future financial results, as well as the components of such results, may not be comparable to our historical or projected results of operations.

Revenue

To date, we have not generated any revenue. We do not expect to generate revenue until at least 2026 and only if NORI receives an exploitation contract from the ISA and we are able to successfully collect and process polymetallic nodules into saleable products on a commercial scale. Any revenue from initial production is difficult to predict.

Exploration and Evaluation Expenses

We expense all costs relating to exploration and development of mineral claims. Such exploration and development costs include, but are not limited to, ISA contract management, geological, geochemical and geophysical studies, environmental baseline studies, process development and payments to Alseas for the pilot mining test system ("PMTS"). Our exploration expenses are impacted by the amount of exploration work conducted during each period. The acquisition cost of ISA polymetallic nodule exploration contracts will be charged to operations as amortization expense on a unit-of-production method based on proven and probable reserves should commercial production commence in the future.

General and Administrative Expenses

General and administrative ("G&A") expenses consist primarily of compensation for employees, consultants and directors, including share-based compensation, consulting fees, investor relations expenses, expenses related to advertising and marketing functions, insurance costs, office and sundry expenses, professional fees (including legal, audit and tax fees), travel expenses and transfer and filing fees.

Share-based compensation costs from the issuance of stock options and restricted share units ("RSUs") is measured at the grant date based on the fair value of the award and is recognized over the related service period. Share-based compensation costs are charged to exploration expenses and general and administrative expenses depending on the function fulfilled by the holder of the award. In instances where an award is issued for financing related services, the costs are included within equity as part of the financing costs. We recognize forfeiture of any awards as they occur.

Interest Income

Interest income consists primarily of interest earned on our cash and cash equivalents.

Foreign Exchange Gain/Loss

The foreign exchange gain or loss for the periods reported primarily relates to our cash held in Canadian dollars and to the settlement of costs incurred in foreign currencies, depending on either the strengthening or weakening of the U.S. dollar.

Change in Fair Value of Warrants Liability

The change in fair value of warrants liability primarily consists of the change in the fair value of our 9,500,000 Private Warrants, which is re-measured at the end of each reporting period.

[Table of Contents](#)

Results of Operations

The following is a discussion of our results of operations for the three months ended March 31, 2024 and 2023. Our accounting policies are described in Note 3 "Significant Accounting Policies" in our financial statements filed as part of the 2023 Annual Report on Form 10-K.

Additionally, the unaudited condensed consolidated interim financial statement for the three months ended March 31, 2023 have been revised to correct prior period errors as discussed in Note 22 "Quarterly Financial Data (Unaudited) Restatement of Previously Issued Financial Statements" to the consolidated financial statement included in Part II, Item 8 of our 2023 Annual Report on Form 10-K. Accordingly, the Management's Discussion and Analysis of Financial Condition and Results of Operations reflects the effects of the revisions.

Comparison of the Three Months Ended March 31, 2024 and 2023

(Dollar amounts in thousands, except as noted)	For the Three Months Ended		
	2024	2023	% Change
Exploration and evaluation expenses	\$ 18,123	\$ 7,169	153 %
General and administrative expenses	6,559	6,214	6 %
Equity-accounted investment loss	78	219	(64)%
Change in fair value of warrants liability	531	544	(2)%
Foreign exchange (gain) loss	(266)	29	(1,017)%
Interest income	(102)	(454)	(78)%
Fees and interest on credit facility	271	27	904 %
Loss for the period	\$ 25,194	\$ 13,748	83 %

Three Months ended March 31, 2024 compared to Three Months ended March 31, 2023

We reported a net loss of approximately \$25.2 million in the first quarter of 2024, compared to a net loss of \$13.7 million in the same period of 2023. The following explains the major reasons for the increase in the net loss in the first quarter of 2024.

Exploration and Evaluation Expenses

Exploration and evaluation expenses for the three months ended March 31, 2024 were \$18.1 million, compared to \$7.2 million for the same period in 2023. The increase of \$10.9 million was primarily due to an increase in mining, technological and process development of \$10.5 million due to increased engineering work and expenses incurred on the transportation of nodules to PAMCO's facility in Japan, and higher personnel costs. This was partially offset by a decrease in environmental studies as the cost for Campaign 8 which commenced in the fourth quarter of 2023 was completed in the first quarter of 2024 and was lower than the cost of the environmental work in the first quarter of 2023 following the completion of the NORI integrated collector test.

General and Administrative Expenses

G&A expenses for the three months ended March 31, 2024 were \$6.6 million compared to \$6.2 million for the same period in 2023. The increase of \$0.4 million is due to higher amortization of share-based compensation and higher consulting fees, offset by lower legal costs.

Change in Fair Value of Warrants Liability

The change in fair value of warrants liability primarily consists of the change in the fair value of the 9,500,000 Private Warrants. The charge recorded in both years reflects the increase in the market price of our warrants.

Liquidity and Capital Resources

Our primary sources of financing have come from private placements and public offerings of Common Shares and warrants, the issuance of convertible debentures and from credit facilities. As of March 31, 2024, we had cash on hand of \$4.0 million.

[Table of Contents](#)

In light of the significant deficit in expected funding following the closing of the Business Combination in September 2021, we adopted what we call a “capital-light” strategy whereby we removed any allocation of funds to capital expenditures that were not deemed necessary to support the submission of an application for an exploitation contract for the NORI Area D, and by negotiating the settlement of program expenditures with our equity whenever possible.

We have yet to generate any revenue from our business operations. We are an exploration-stage company and the recovery of our investment in mineral exploration contracts and attainment of profitable operations is dependent upon many factors including, among other things, the development of commercial production system for collecting polymetallic nodules from the seafloor as well as the development of our processing technology for the metallurgical treatment of such nodules, the establishment of mineable reserves, the demonstration of commercial and technical feasibility of seafloor polymetallic nodule collection and processing systems, metal prices, and securing ISA exploitation contracts or provisional approvals. While we have obtained financing in the past, there is no assurance that such financing will continue to be available on favorable terms, in sufficient amounts, or at all.

We expect to incur significant expenses and operating losses for the foreseeable future, particularly as we advance towards our application to the ISA for an exploitation contract and preparation for potential commercialization. Based on our cash balance and availability of borrowing under our credit facility with Allseas and credit facility with ERAS Capital LLC and Gerard Barron, when compared with our forecasted cash expenditures, we believe we will have sufficient funds to meet our obligations that become due within the next twelve months. Our estimates used in reaching this conclusion are based on information available as at the date of filing this Quarterly Report on Form 10-Q. Accordingly, actual results could differ from these estimates and resulting variances may result in our need for additional funding in an amount greater or earlier than expected, due to changes in business conditions or other developments, including, but not limited to, deferral of approvals, capital and operating cost escalation, currently unrecognized technical and development challenges, our ability to pay certain vendors or suppliers in our Common Shares or changes in external business environment.

In addition, we will however need and are seeking additional financing to fund our continued operations over time. These financings could include additional public or private equity, debt financings, equity-linked financings or other sources of financing, including through non-dilutive asset, royalty or project-based and/or asset-based financings. If these financing or other financing sources are not available, or if the terms of financing are less desirable than we expect, or if in insufficient amounts, we may be forced to delay our exploration and/or exploitation activities or further scale back our operations, which could have a material adverse impact on our business and financial prospects.

On September 16, 2022, we filed a registration statement on Form S-3 with the SEC, which the SEC declared effective on October 14, 2022, to sell up to \$100 million of securities, which includes the \$30 million that may be sold under the At-the-Market Equity Distribution Agreement discussed below and the Common Shares and shares underlying the Class A Warrants issued in the Registered Direct Offering. In addition, on November 30, 2023, we filed an additional registration statement on Form S-3 with the SEC, which the SEC declared effective on December 8, 2023, to sell up to an additional \$100 million of securities. Securities that may be sold under the registration statements include common shares, preferred shares, debt securities, warrants and units. Any such offering, if it does occur, may happen in one or more transactions. Specific terms of any securities to be sold will be described in supplemental filings with the SEC.

On December 22, 2022, we entered into an At-the-Market Equity Distribution Agreement (the “Sales Agreement”) with Stifel, Nicolaus & Company, Incorporated (“Stifel”) and Wedbush Securities Inc., as sales agents, allowing us, from time to time, to issue and sell Common Shares with an aggregate offering price of up to \$30 million. On December 21, 2023, we amended the Sales Agreement to remove Stifel as a sales agent. The offer and sales of the shares are made under our effective “shelf” registration statement on Form S-3 filed with the SEC on September 16, 2022, which the SEC declared effective on October 14, 2022. In April 2024, we sold 1,607,821 Common Shares pursuant to the Sales Agreement for gross proceeds of \$2.6 million (\$2.5 million net of fees and commissions).

On March 22, 2023, we entered into a Credit Facility with Argentum Credit Virtuti GCV, the parent of Allseas Investments S.A. and an affiliate of Allseas, which was amended on July 31, 2023 and March 22, 2024, pursuant to which, we may borrow from the Lender up to \$25 million in the aggregate, from time to time, subject to certain conditions. All amounts drawn under the Credit Facility will bear interest at the 6-month Secured Overnight Funding Rate (SOFR), 180-day average plus 4.0% per annum payable in cash semi-annually (or plus 5% if paid-in-kind at maturity, our election) on the first business day of each of June and January. We will pay an underutilization fee equal to 4.0% per annum payable semi-annually for any amounts that remain undrawn under the Credit Facility. We have the right to pre-pay the entire amount outstanding under the Credit Facility at any time, before the Credit Facility’s maturity of

[Table of Contents](#)

August 31, 2025. The Credit Facility also contains customary events of default. As of the date of this Quarterly Report on Form 10-Q, no amounts have been drawn under this Credit Facility.

On August 14, 2023, we entered into a securities purchase agreement for a Registered Direct Offering of our Common Shares and Class A Warrants, the final closing of which occurred on January 31, 2024. The purchase price for each Common Share and Class A Warrant to purchase 0.5 Common Shares was \$2.00 per unit. The exercise price to purchase one Common Share under the Class A Warrants is \$3.00, subject to adjustment as provided in the warrant agreement. The aggregate gross proceeds from the Registered Direct Offering were approximately \$24.9 million, before deducting fees payable to financial advisors and other estimated offering expenses payable by the Company (\$23.6 million net of fees).

On March 22, 2024, we entered into an Unsecured Credit Facility (the "2024 Credit Facility") with Gerard Barron, our Chief Executive Officer and Chairman, and ERAS Capital LLC, the family fund of our director, Andrei Karkar (collectively, the "2024 Lenders"), pursuant to which, we may borrow from the 2024 Lenders up to \$20,000,000 in the aggregate (\$10,000,000 from each of the 2024 Lenders), from time to time, subject to certain conditions. All amounts drawn under the 2024 Credit Facility will bear interest at the 6-month Secured Overnight Funding Rate (SOFR), 180-day average plus 4.0% per annum payable in cash semi-annually (or plus 5% if paid-in-kind at maturity, at our election) on the first business day of each of June and January. We will pay an underutilization fee equal to 4.0% per annum payable semi-annually for any amounts that remain undrawn under the 2024 Credit Facility. We have the right to pre-pay the entire amount outstanding under the 2024 Credit Facility at any time, before the 2024 Credit Facility's maturity of September 22, 2025. The 2024 Credit Facility also contains customary events of default. The 2024 Credit Facility will terminate automatically if we or any of our subsidiaries raise at least USD \$50,000,000 in the aggregate (i) through the issuance of any of our or our subsidiaries' debt or equity securities, or (ii) in prepayments under an off-take agreement or similar commercial agreement. As of May 13, 2024, the Company drew \$2.9 million from the 2024 Credit Facility.

We may receive up to approximately \$281.8 million in aggregate gross proceeds from cash exercises of the Public Warrants and the Private Warrants, based on the per share exercise price of such warrants. However, the exercise price for the outstanding Public Warrants and Private Warrants is \$11.50 per common share and there can be no assurance that such warrants will be in the money prior to their expiration, and as such, such warrants may expire worthless. Based on the current trading price of our Common Shares we do not expect to receive any proceeds from the exercise of the Public Warrants and Private Warrants unless there is a significant increase in the price of our Common Shares. In certain circumstances, the Public Warrants and Private Warrants may be exercised on a cashless basis and the proceeds from the exercise of such warrants will decrease. Furthermore, even if the warrants will be in the money, the holders of the warrants are not obligated to exercise their warrants, and we cannot predict whether holders of the warrants will choose to exercise all or any of their warrants. In addition, the exercise price to purchase one Common Share under the outstanding Class A Warrants is \$3.00 (subject to customary adjustments) and there can be no assurance that such warrants will be exercised prior to their expiration, and as such, such warrants may expire, and we will not receive any proceeds from the exercise thereof.

Cash Flows Summary

Presented below is a summary of our operating, investing and financing cash flows:

(thousands)	For the Three Months Ended March 31,	
	2024	2023
Net cash used in operating activities	\$ (11,852)	\$ (23,484)
Net cash used in investing activities	\$ (340)	\$ —
Net provided by financing activities	\$ 9,048	\$ 5,000
Decrease in cash	\$ (3,144)	\$ (18,484)

Comparison of the Three Months Ended March 31, 2024 and March 31, 2023

Cash flows used in Operating Activities

For the three months ended March 31, 2024, major operating activities over this period involved Campaign 8, as well as advanced work on engineering and pre-feasibility studies as we advance towards our application to the ISA for an exploitation contract and prepare for potential future commercial production. Net cash used in operating activities in the first quarter of 2024, amounted to \$11.8 million, and consisted mainly of \$6.7 million on various environmental work, \$2.1 million on personnel costs, \$0.8 million for sponsorship,

[Table of Contents](#)

training and stakeholder engagement support, \$0.6 million spent on engineering and pre-feasibility studies, \$0.4 million on legal costs, and additional payments of \$1.4 million for various expenses.

For the three months ended March 31, 2023, operating activities focused mainly on the continuation of environmental work following the completion of the NORI integrated collector test, as well as progressing on engineering work and pre-feasibility studies on the project. Net cash used in operating activities in the first quarter of 2023, amounted to \$23.5 million, and consisted mainly of \$17.0 million on various environmental work, \$2.7 million on personnel costs, \$1.4 million on legal costs, \$0.8 million for sponsorship, training, and stakeholder engagement support, \$0.4 million spent on engineering and pre-feasibility studies, and additional payments of \$1.2 million for various expenses.

Cash flows provided by (used in) Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2024 was \$0.3 million for the purchase of equipment and software development.

Cash flows provided by Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2024 was \$9.0 million, representing the net proceeds received from the Registered Direct Offering announced in August 2023, while the 2023 first quarter results represent the cash received of \$5 million on closing of our investment in Low Carbon Royalties.

Contractual Obligations and Commitments

NORI Exploration Contract

As part of the NORI Exploration Contract with the ISA, NORI submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. The periodic review report, which included a proposed work plan and estimated budget for 2022 to 2026, has been reviewed by and agreed with the ISA, and we are implementing this five-year plan. The cost of NORI's estimated work plan for 2024 onwards is contingent on the ISA's approval of the NORI Area D exploitation application. Should the approval of NORI's exploitation application for NORI Area D be delayed or rejected, NORI intends to revise its estimated future work plan in respect of its NORI Area. Work plans are reviewed annually by us, agreed with the ISA and may be subject to change depending on our progress to date.

Marawa Option Agreement and Services Agreement

As part of DGE's Marawa's Exploration Contract, Marawa last submitted periodic review report to the ISA included a proposed work plan and estimated budget for the 2020-2024 five-year period. The five-year estimated expenditure is indicative and subject to change, Marawa will review the program regularly and Marawa will inform the ISA of any changes through its annual reports. To date, limited offshore marine resource definition activities in the Marawa Contract Area have occurred. We are collaborating with Marawa to assess the viability of any potential project in the Marawa Contract Area, although the timing of such assessment is unclear. Marawa has delayed certain of its efforts in the Marawa Contract Area while it determines how it will move forward with additional assessment work.

TOML Exploration Contract

As part of the TOML Exploration Contract, TOML submitted a periodic review report to the ISA in 2021, covering the 2017-2021 period. The periodic review report included a summary of work completed over the five-year period and a program of activities and estimated budget for the next five-year period. On December 23, 2022, the ISA accepted TOML's proposed program of activities for the 2022-2026 five-year period, which included an estimated five-year expenditure of up to \$44 million. The five-year estimated expenditure is indicative and subject to change, TOML will review the program regularly and TOML will inform the ISA of any changes through its annual reports.

Regulatory Obligations Relating to Exploration Contracts

Both TOML and NORI require sponsorship from their host sponsoring nations, Tonga and Nauru, respectively. Each company has been registered and incorporated within the applicable host nation's jurisdiction. The ISA requires that a contractor must obtain and

[Table of Contents](#)

maintain sponsorship by a host nation that is a member of the ISA and such state must maintain effective supervision and regulatory control over such sponsored contractor. Each of TOML and NORI is subject to the registration and incorporation requirements of these nations. In the event the sponsorship is otherwise terminated, such subsidiary will be required to obtain new sponsorship from another state that is a member of the ISA. Failure to obtain such new sponsorship would have a material impact on the operations of such subsidiary and us.

Sponsorship Agreements

On July 5, 2017, Nauru, the Nauru Seabed Minerals Authority and NORI entered into the NORI Sponsorship Agreement formalizing certain obligations of the parties in relation to NORI's exploration and potential exploitation of the NORI Area. Upon reaching the minimum recovery level within the exploitation contract area, NORI will pay Nauru a seabed mineral recovery payment based on the polymetallic nodules recovered from the exploitation contract area. In addition, NORI will pay an administration fee each year to Nauru for such administration and sponsorship, which is subject to review and increase in the event NORI is granted an ISA exploitation contract. NORI has begun discussions with the Government of Nauru to renegotiate the existing sponsorship agreement and has also committed to ensuring NORI pays corporate income tax within Nauru, assuming our future operations are ultimately profitable.

On March 8, 2008, Tonga and TOML entered into the TOML Sponsorship Agreement formalizing certain obligations of the parties in relation to TOML's exploration and potential exploitation of the TOML Area. On September 23, 2021, Tonga updated the TOML Sponsorship Agreement harmonizing the terms of its engagement with TOML with those held by NORI with Nauru. TOML expects to renegotiate the existing sponsorship agreement with Tonga prior to entering into operations in the TOML Area and has committed to paying corporate income tax within Tonga, assuming our future operations are ultimately profitable.

Allseas Agreements

On March 29, 2019, we entered into a strategic alliance with Allseas to develop a system to collect, lift and transport nodules from the seafloor to shore and agreed to enter into a nodule collection and shipping agreement whereby Allseas would provide commercial services for the collection of the first 200 million metric tonnes of polymetallic nodules on a cost plus 50% profit basis. In furtherance of this agreement, on July 8, 2019, we entered into a Pilot Mining Test Agreement with Allseas ("PMTA"), which was amended on five occasions through February 2023, to develop and deploy a PMTS, successful completion of which is a prerequisite for our application for an exploitation contract with the ISA. Under the PMTA, Allseas agreed to cover the development cost of the project in exchange for a payment from us upon successful completion of the pilot trial of the PMTS in NORI Area D.

On March 16, 2022, NORI and Allseas entered into a non-binding term sheet for the development and operation of a commercial nodule collection system. The pilot nodule collection system developed and tested by Allseas is expected to be upgraded to a commercial system with an expanded targeted production capacity of up to an estimated 3.0 million tonnes of wet nodules per year, to be delivered in stepped increments, with expected production readiness in the first quarter of 2026. NORI and Allseas intend to equally finance all costs related to developing and getting the first commercial system into production. Once in production, NORI is expected to pay Allseas a nodule collection and transshipment fee and, as Allseas scales up production to up to an estimated 3.0 million wet tonnes of nodules per year, it is expected that unit costs will be reduced. Following the successful completion of the NORI Area D pilot collection system trials in November 2022 and subsequent analysis of pilot data, the parties are reviewing Project Zero Offshore Nodule Collection System production targets, system design and cost estimates and intend to enter into a binding Heads of Terms by the end of 2024. The parties expect to further detail their relationship in a single definitive agreement using Work Planning and Budgeting procedure to allow for flexibility as the Allseas and NORI project team complete system engineering, upgrades and start commercial production. Subject to the necessary regulatory approvals, Allseas and NORI also intend to investigate acquiring a second production vessel similar to the *Hidden Gem*, another Samsung 10000, with the potential for an additional production rate of three million tonnes of wet nodules per year. There can be no assurances, however, that we will enter into a definitive agreement with Allseas contemplated by the non-binding term sheet in a particular time period, or at all, or on terms similar to those set forth in the non-binding term sheet, or that if such a definitive agreement is entered into by us that the proposed commercial systems and second production vessel will be successfully developed or operated in a particular time period, or at all.

Through March 31, 2024, we have made the following payments to Allseas under the PMTA: (a) \$10 million in cash in February 2020, (b) \$10 million through the issuance of 3.2 million Common Shares valued at \$3.11 per share in February 2020, (c) issued Allseas a warrant to purchase 11.6 million Common Shares at a nominal exercise price per share in March 2021, (d) \$10 million in cash in October 2021, following the closing of the Business Combination and meeting certain progress targets on the PMTS and (e) on February 23, 2023 issued 10.85 million Common Shares to Allseas. On August 9, 2023, 11,578,620 common shares were issued to Allseas upon

[Table of Contents](#)

the exercise of the warrant that was granted to Allseas in March 2021, and receipt of the exercise fee of \$115.8 thousand. The warrant vested and became exercisable on successful completion of the PMTS in November 2022.

On November 11, 2022, our board of directors approved the successful completion and testing of the PMTS in the NORI Area D and payment of the third milestone amounting to \$10 million and additional costs owed to Allseas under the PMTA by issuing 10.85 million Common Shares to Allseas priced at \$1.00 per share on February 23, 2023.

On August 1, 2023, we entered into an Exclusive Vessel Use Agreement with Allseas pursuant to which Allseas will give us exclusive use of the vessel ("Hidden Gem") in support of the development of the Project Zero Offshore Nodule Collection System until the system is completed or December 31, 2026, whichever is earlier. In consideration of the exclusivity term, on August 14, 2023, we issued 4.15 million Common Shares to Allseas.

Offtake Agreement

On May 25, 2012, DGE and Glencore entered into a copper offtake agreement and a nickel offtake agreement. DGE has agreed to deliver to Glencore 50% of the annual quantity of copper and nickel produced by a DGE-owned facility from nodules derived from the NORI Area at London Metal Exchange referenced market pricing with allowances for product quality and delivery location. Either party may terminate the agreement upon a material breach or insolvency of the other party. Glencore may also terminate the agreement by giving twelve months' notice.

Credit Facility with Allseas Affiliate

As described above, on March 22, 2023, we entered into the Credit Facility with Argentum Credit Virtuti GCV, an affiliate of Allseas, under which we may borrow up to \$25 million pursuant to the terms and conditions of the Credit Facility, which as amended has a maturity date of August 31, 2025.

Credit Facility with ERAS Capital LLC and Gerard Barron

As described above, on March 22, 2024, we entered into the 2024 Credit Facility with ERAS Capital LLC and Gerard Barron under which we may borrow up to \$20 million pursuant to the terms and conditions of the 2024 Credit Facility through its maturity on September 22, 2025. As of May 13, 2024, the Company drew \$2.9 million from the 2024 Credit Facility.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated interim financial statements have been prepared in accordance with U.S. GAAP. In the preparation of these financial statements, we are required to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Except as described in Note 3 to our condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our 2023 Annual Report on Form 10-K.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart Our Business Startups ("JOBS") Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition

[Table of Contents](#)

period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. Following the closing of the Business Combination, we expect to remain an emerging growth company at least through the end of the 2024 fiscal year and we expect to continue to take advantage of the benefits of the extended transition period at least through the end of the 2024 fiscal year, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Cautionary Statements Regarding the NORI Initial Assessment and TOML Mineral Resource Statement

We have estimated the size and quality of our resource in the NORI and TOML Areas, as described below, in our SEC Regulation S-K (subpart 1300) compliant Technical Report Summary - Initial Assessment, of the NORI Property, Clarion-Clipperton Zone, Pacific Ocean dated March 17, 2021 ("NORI Initial Assessment") and Technical Report Summary - TOML Mineral Resource, Clarion-Clipperton Zone, Pacific Ocean dated March 26, 2021 ("TOML Mineral Resource Statement"), respectively, prepared by AMC Consultants Ltd. ("AMC"). We plan to continue to estimate our resources in the NORI and TOML Areas and develop the project economics. The initial assessment included in the NORI Initial Assessment Report is a conceptual study of the potential viability of mineral resources in NORI Area D. This initial assessment indicates that development of the mineral resource in NORI Area D is potentially technically and economically viable; however, due to the preliminary nature of project planning and design, and the untested nature of the specific seafloor production systems at a commercial scale, economic viability has not yet been demonstrated.

The NORI Initial Assessment and TOML Mineral Resource Statement do not include the conversion of mineral resources to mineral reserves.

As used in this Quarterly Report on Form 10-Q or in the applicable report summary, the terms "mineral resource," "measured mineral resource," "indicated mineral resource" and "inferred mineral resource", as applicable, are defined and used in accordance with the SEC Mining Rules.

You are specifically cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves, as defined by the SEC. You are also cautioned that mineral resources do not have demonstrated economic value. Information concerning our mineral properties in the NORI and TOML Technical Report Summaries and in this Quarterly Report on Form 10-Q includes information that has been prepared in accordance with the requirements of the SEC Mining Rules forth in subpart 1300 of Regulation S-K. Under SEC standards, mineralization, such as mineral resources, may not be classified as a "reserve" unless the determination has been made that the mineralization would be economically and legally produced or extracted at the time of the reserve determination. Inferred mineral resources have a high degree of uncertainty as to their existence and to whether they can be economically or legally commercialized. Under the SEC Mining Rules, estimates of inferred mineral resources may not form the basis of an economic analysis. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. A significant amount of exploration must be completed in order to determine whether an inferred mineral resource may be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally commercialized, or that it will ever be upgraded to a higher category. Approximately 97% of the NORI Area D resource is categorized as measured or indicated.

Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded to mineral reserves.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of markets and other risks including the effects of change in interest rates, inflation and foreign currency translation and transaction risks as well as risks to the availability of funding sources, hazard events, specific asset risks, regulatory risks, public policy risks and technology risks. We also expect to be exposed to commodity risks if and when we commence commercial production.

[Table of Contents](#)

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that the fair value of our future cash flows and our financial instruments will fluctuate because of changes in market interest rates.

Our current practice is to invest excess cash in investment-grade short-term deposit certificates issued by reputable Canadian financial institutions with which we keep our bank accounts and management believes the risk of loss to be remote. We periodically monitor the investments we make and are satisfied with the credit ratings of our banks. Due to the current high cash need of our operating plan, we have kept our funds readily available, placed in secure, highly liquid interest-bearing investments, as at March 31, 2024.

Credit risk is a risk of loss that may arise on outstanding financial instruments should a counter party default on its obligation. Our receivables consist primarily of general sales tax due from the Federal Government of Canada and as a result, the risk of default is considered to be low. Once we commence commercial production, we expect our credit risk to rise with our increased customer base.

Other Risks

We are exposed to a variety of markets and other risks including the effects of inflation and foreign currency translation, commodity pricing risks and transaction risks as well as risks to the availability of funding sources, hazard events specific asset risks, regulatory risks, public policy risks and technology risks. We also expect to be exposed to commodity risks if and when we commence commercial production.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024, as a result of a material weakness in our internal control over financial reporting as described below.

Material Weaknesses in Internal Control over Financial Reporting

As previously disclosed in our 2023 Annual Report on Form 10-K, management identified a material weakness in the operating effectiveness of our internal controls over the accounting for significant non-routine transactions that resulted from the inadequate and untimely involvement of stakeholders and technical advisors with an appropriate level of expertise to account for a non-routine, unusual and complex transaction. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

This material weakness resulted in errors in the financial statements and related disclosures in our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2023, and for the six months ended June 30, 2023 and nine months ended September 30, 2023. See Note 22 to the audited consolidated financial statements for the year ended December 31, 2023, included in our 2023 Annual Report on form 10-K for more information about these errors and our revisions to these previously issued financial statements in our financial statements as of and for the year ended December 31, 2023 as included in the 2023 Annual report on Form 10-K.

In order to remediate this material weakness, we are in the process of developing and rolling out training on processes and controls related to non-routine transactions and evaluating the circumstances under which we use technical advisors in connection with evaluating non-routine transactions. We are also considering engaging the assistance of additional third-party resources as deemed appropriate to assist management in its remediation efforts.

Our internal controls over significant non-routine transactions need to be in operation and tested for sufficient instances to be considered effective. Consequently, the controls for non-routine transactions remain ineffective as of March 31, 2024.

Notwithstanding our material weakness, we have concluded that our unaudited condensed consolidated interim financial statements included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Changes in Internal Control over Financial Reporting

Except as noted above, there were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal controls that occurred during the first quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well

[Table of Contents](#)

designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Except as set forth below, we are not currently a party to any material legal proceedings.

On September 20, 2021, we commenced litigation in the New York Supreme Court, New York County against two investors who failed to fund their PIPE commitments in connection with the closing of the Business Combination. These actions are captioned Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ethos Fund I, LP, Ethos GP, LLC, Ethos DeepGreen PIPE, LLC, and Ethos Manager, LLC, Index No. 655527/2021 (N.Y. Sup. Ct.) and Sustainable Opportunities Acquisition Corp. n/k/a TMC the metals company Inc. v. Ramas Capital Management, LLC, Ramas Energy Opportunities I, LP, Ramas Energy Opportunities I GP, LLC, and Ganesh Betanabhatla, Index No. 655528/2021 (N.Y. Sup. Ct.). The operative complaints allege that the investors breached the relevant subscription agreement and that the investors' affiliates tortiously interfered with the subscription agreements by causing the investor not to fund its contractual obligations. We are seeking compensatory damages (plus interest), equitable relief, expenses, costs, and attorneys' fees. On December 17, 2021, the defendants at Ethos moved to dismiss the complaint. That motion is pending. There can be no assurances, however, that we will be successful in our efforts against these investors.

On October 28, 2021, a shareholder filed a putative class action against us, one of our executive and a former director in federal district court for the Eastern District of New York, captioned Caper v. TMC The Metals Company Inc. F/K/A Sustainable Opportunities Acquisition Corp., Gerard Barron and Scott Leonard. The complaint alleges that all defendants violated Section 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and Messrs. Barron and Leonard violated Section 20(a) of the Exchange Act, by making false and/or misleading statements and/or failing to disclose information about our operations and prospects during the period from March 4, 2021 and October 5, 2021. On November 15, 2021, a second complaint containing substantially the same allegations was filed, captioned Tran v. TMC the Metals Company, Inc. These cases have been consolidated. On March 6, 2022, a lead plaintiff was selected. An amended complaint was filed on May 12, 2022, reflecting substantially similar allegations, with the Plaintiff seeking to recover compensable damages caused by the alleged wrongdoings. We deny any allegations of wrongdoing and filed and served the plaintiff a motion to dismiss on July 12, 2022 and intend to defend against this lawsuit. On July 12, 2023, an oral hearing on the motion to dismiss was held. The parties are currently awaiting a ruling. There is no assurance, however, that we or the other defendants will be successful in our defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. If the motion to dismiss is unsuccessful, there is a possibility that we may incur a loss in this matter. Such losses or range of possible losses cannot be reliably estimated. A resolution of this lawsuit adverse to us or the other defendants, however, could have a material effect on our financial position and results of operations in the period in which the lawsuit is resolved.

In February 2022, we received letters from the SEC notifying us of an investigation and requesting the voluntary production of documents and information regarding our 2020 acquisition of Tonga Offshore Mining Limited from Deep Sea Mining Finance Ltd. and our Business Combination with Sustainable Opportunities Acquisition Corp. ("SOAC"). The Company is continuing to cooperate with the investigation and respond voluntarily to the SEC's requests.

On January 23, 2023, investors in the 2021 private placement from the Business Combination filed a lawsuit against us in the Commercial Division of New York Supreme Court, New York County, captioned Atalaya Special Purpose Investment Fund II LP et al. v. Sustainable Opportunities Acquisition Corp. n/k/a TMC The Metals Company Inc., Index No. 650449/2023 (N.Y. Sup. Ct.). We filed a motion to dismiss on March 31, 2023, after which the plaintiffs filed an amended complaint on June 5, 2023. The amended complaint alleges that we breached the representations and warranties in the plaintiffs' private placement Subscription Agreements and breached the covenant of good faith and fair dealing. The Plaintiffs are seeking to recover compensable damages caused by the alleged wrongdoings. We deny any allegations of wrongdoing and filed a motion to dismiss the amended complaint on July 28, 2023. On December 7, 2023, the Court granted our motion to dismiss the claim for breach of the covenant of good faith and fair dealing and denied our motion to dismiss the breach of the Subscription Agreement claim. We filed a notice of appeal regarding the Court's denial of our motion to dismiss the breach of the Subscription Agreement claim. There is no assurance that we will be successful in our defense of this lawsuit or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of this action. Such losses or range of possible losses cannot be reliably estimated.

ITEM 1A. RISK FACTORS.

You should carefully review and consider the information regarding certain factors that could materially affect our business, consolidated financial condition or results of operations set forth under Item 1A. Risk Factors in our 2023 Annual Report on Form 10-K. There have been no material changes from or additions to the risk factors disclosed in our 2023 Annual Report on Form 10-K. We may disclose changes to risk factors or additional factors from time to time in our future filings with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Unregistered Sales of Equity Securities

On January 31, 2024, we issued 4,500,000 common shares and 2,250,000 Class A Warrants to ERAS Capital LLC, the family fund of our director, Andrei Karkar, after receiving the remaining committed funding from the Registered Direct Offering of \$9 million. The common share and accompanying Class A Warrant to purchase 0.5 of a common share were sold at a price of \$2.00. The exercise price of the Class A Warrants is \$3.00, subject to adjustment as provided in the warrant agreement.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the three months ended March 31, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

10b5-1 Trading Arrangements

During the quarter ended March 31, 2024, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K.

[Table of Contents](#)

ITEM 6. EXHIBITS.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Herein from Form or Schedule	Filing Date	SEC File/ Reg. Number
10.1	Second Amendment to the Unsecured Credit Facility, dated March 22, 2024, by and between TMC the metals company Inc. and Argentum Credit Virtuti GCV		Form 10-K (Exhibit 10.33)	03/25/2024	001-39281
10.2†	Unsecured Credit Facility, dated March 22, 2024, by and among TMC the metals company Inc., Gerard Barron and ERAS Capital LLC		Form 10-K (Exhibit 10.34)	03/25/2024	001-39281
10.3+	Consulting Agreement, dated April 9, 2024 by and between TMC the metals company Inc. and Steve Jurvetson		Form 8-K (Exhibit 10.1)	04/11/2024	001-39281
10.4+	Employment Agreement, dated April 16, 2024, by and between TMC the metals company Inc. and Gerard Barron		Form 8-K (Exhibit 10.1)	04/18/2024	001-39281
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32*	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X			

† Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[**]") because the identified confidential portions (i) are not material and (ii) is the type of information that the Company treats as private or confidential.

+ Management contract or compensatory plan or arrangement.

* The certifications attached as Exhibit 32 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of TMC the metals company Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of such Form 10-Q), irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TMC THE METALS COMPANY INC.

Date: May 13, 2024

By: /s/ Gerard Barron
Gerard Barron
Chief Executive Officer

Date: May 13, 2024

By: /s/ Craig Shesky
Craig Shesky
Chief Financial Officer

CERTIFICATIONS UNDER SECTION 302

I, Gerard Barron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TMC the metals company Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2024

/s/ Gerard Barron

Gerard Barron
Chief Executive Officer (*Principal Executive Officer*)

CERTIFICATIONS UNDER SECTION 302

I, Craig Shesky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TMC the metals company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2024

/s/ Craig Shesky

Craig Shesky
Chief Financial Officer (*Principal Financial Officer*)

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of TMC the metals company Inc., a British Columbia, Canada corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended March 31, 2024 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2024

/s/ Gerard Barron
Gerard Barron
Chief Executive Officer
(*Principal Executive Officer*)

Dated: May 13, 2024

/s/ Craig Shesky
Craig Shesky
Chief Financial Officer
(*Principal Financial Officer*)
