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More pain for TMC in quarterly results

The latest quarterly results deepen the misery of would-be deep sea miner The Metals Company (TMC) showing widening annual losses, dwindling cash reserves, and a share price that is back in the doldrums.

The 4th quarter 2021 results, which were uploaded to the SEC website on 25 March, demonstrated a net loss of US$141.3 million (or $0.69 per share), in 2021 compared with US$56.6 million in 2020. The net loss for the quarter itself came to US$19.8 million, or $0.09 per share.

Andy Whitmore, Deep Sea Mining Campaign (DSMC) Finance Advocacy Coordinator commented, "TMC only has U$84 million in cash left but claims it has funds until the 3rd quarter 2023. However, their 2021 general operating expenses dwarfed that figure. It has few options for raising more capital unless it can start mining, which is still at the concept stage, or it issues more shares diluting those already owned.

"TMC cannot break free of the problems that have dogged them since they became a public company, through a deSPAC merger last year. Although the company projects huge potential income if it manages to build, test, scale up and operate its experimental equipment, any potential start to mining is a long way off."

Andy continued "The share price is still failing to deliver, having dropped 85% in one year. This is despite a brief 'dead cat bounce' in mid-March thanks to a spike in the price of nickel at the London Stock Exchange. Once the price of nickel settled, TMC's share price dropped back to around US$1.50 per share, proving that investors also don't buy the TMC story. It is one of the worst-performing SPAC deals of 2021."

The company faces other ongoing handicaps. The quarterly results reference the continuing class action legal case of *Caper v. TMC*, filed against the company and key directors for making false and/or misleading statements.[1] Also of concern, it is noted that despite previously identifying material weaknesses in the company's financial reports those weaknesses have not been fully remediated as of December 31, 2021.

TMC's subsidiary Nauru Ocean Resources Inc. (NORI) needs the approval of its Environmental Impact Statement (EIS) before it can test mining equipment. The International Seabed Authority (ISA)'s Legal & Technical Committee requested a more substantive monitoring plan for the test from NORI before further considering it. This confirms concerns raised about the EIS by a range of stakeholders, including the UK Government. The EIS will not be considered again until July 2022.

Campaigners used the opportunity of the recent annual general meeting (AGM) of A.P. Møller-Mærsk to ask the Danish shipping company to fully disassociate itself from TMC. The Maersk subsidiary Maersk Supply Service provided marine services to DeepGreen, now TMC, until 2021. Although the contract has now concluded, TMC partly paid Maersk in its own shares, making it a current shareholder.

The question, posed by Frank Aaen of Critical Shareholders in Danish, asked if Maersk would "in light of the serious environmental issues that there are with deep sea mining, definitively consider stopping those kinds of activities and selling the shares the company has in The Metals Company?"

Catherine Coumans of MiningWatch Canada concluded, "Nothing has fundamentally changed with TMC since it was formed when nearly all of the warrant holders who could have invested pulled back. TMC is still in the pre-revenue stage. There are many barriers to it earning any money, but the risks I am most concerned about are not to investors, but to the health of our oceans and the people who depend on them".

For more information

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DSMC has long documented concerns around TMC, including a shareholder advisory that provides an analysis of the financial, environmental, and liability risks associated with the company at the time of its merger. Three letters of complaint, co-signed by MiningWatch Canada and lodged with the US Security Exchange Commission (SEC) also highlighted the lack of disclosure in the merger documentation. In response to these, the company refiled its pre-merger Prospectus with the SEC a number of times, increasing environmental and financial risk disclosure with each filing, in line with concerns we had raised.

[1] The results note, on p.91 "there is no assurance … 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." https://www.sec.gov/ix?doc=/Archives/edgar/data/1798562/000110465922038029/tmc-20211231x10k.htm