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## THE METALS COMPANY: From Riches to Rags... to Penny Stocks?

**The Metals Company's (TMC) second quarterly results are out - just as the company appears close to violating the listing standards of the Nasdaq Stock Exchange by trading below US\$1 at closing bid price for [30 consecutive business days](#).<sup>1</sup>**

This marks a further deterioration in the company's financial status which has seen its share price fall from over \$12 after it listed almost a year ago to \$0.99 at close of business yesterday. Before the merger that launched it, TMC boasted [it would be worth \\$2.9 billion](#), but today only has a market capitalisation of around \$225 million.

If in violation by the end of today, TMC has a number of months to comply with Nasdaq listing standards. However, potential solutions are likely to be painful for shareholders, who are already suffering, such as issuing new shares which would devalue the stock currently held.

Andy Whitmore, Deep Sea Mining Campaign (DSMC) Finance Advocacy Officer notes: "The [second quarter results](#) demonstrate just how precarious TMC's finances are. The company suffered a net loss of \$12.4 million, and only had \$46.3 million cash on hand as of 30 June 2022. TMC claims it has secured promises of \$30 million via PIPE financing that will fund them through to July 2023."

"However, at current rates<sup>2</sup> of spending, this small cash injection would not get them through the 12 months. It's also rather telling that 70% of funds raised from the potential PIPE financing come from current shareholders, despite these shares being offered for only \$0.80. New investors, who conduct their due diligence, are understandably wary."

Dr. Helen Rosenbaum, DSMC Coordinator, comments: "Numerous parallels can be drawn between TMC and CEO Gerard Barron's, first failed deep sea mining foray – the [bankrupt Nautilus Minerals](#). Like Nautilus, TMC's share price has plummeted and the company seems to be reliant on a few key investors to prop it up. TMC itself warns that a Nasdaq delisting could

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<sup>1</sup> The closing bidding price was listed as \$0.98 on 12 August. During the investor conference call, on 15 August the CEO tried to reassure shareholders by noting the company would have time to rectify breaching of the rules.

<sup>2</sup> Current quarterly spending according to the latest update is \$20 million



lead to “significant material adverse consequences” including “a determination that our common shares are penny stock”.<sup>3</sup>

The risks outlined [in TMC's prospectus](#) provide a stark contrast to its highly idealised public relations claims with many [disparities](#) between what TMC admits in its Securities and Exchange Committee (SEC) filings and what the company asserts on its website. TMC is [facing a class action](#) suit mounted by shareholders claiming that TMC understated the financial and environmental risks and overstated its value and scale of operations.

Dr. Catherine Coumans, MiningWatch Canada Asia-Pacific Program Coordinator stresses: “TMC’s SEC filings admit many risks relating to litigation, potential liabilities, lack of insurability, market uncertainty for the metals it plans to mine and questions over financial and technical feasibility.”

“The company’s SEC filings clearly show that, while its operations ‘are certain to disturb wildlife and may impact ecosystem function’,<sup>4</sup> fundamental aspects such as future revenues, operating expenditures and the value and size of mineral reserves are based on speculation.”

Andy Whitmore concludes: “It is no coincidence that this additional blow to TMC's credibility comes just after the International Seabed Authority [closed its latest Assembly meeting](#) in Jamaica. States [raised concerns about deep sea mining](#), including calls for a moratorium, and questions about [TMC's rush to mine through its sponsoring state Nauru](#).”

“The harder TMC pushes for a licence the more governments are pushing back against being rushed into giving them one.”

#### **For more information**

Andy Whitmore, Deep Sea Mining Campaign [London]  
[andy@\]dsm-campaign.org](mailto:andy@]dsm-campaign.org) +44 7754 395597

Helen Rosenbaum, Deep Sea Mining Campaign [Australia]  
[helen.rosenbaum1@gmail.com](mailto:helen.rosenbaum1@gmail.com) +61 413 201 793

Catherine Coumans, MiningWatch Canada  
[catherine@miningwatch.ca](mailto:catherine@miningwatch.ca) +1 613 256 8331

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<sup>3</sup> [https://www.sec.gov/Archives/edgar/data/1798562/000110465922079381/tmc-20220331x424b3.htm#RISKFACTORS\\_961829](https://www.sec.gov/Archives/edgar/data/1798562/000110465922079381/tmc-20220331x424b3.htm#RISKFACTORS_961829), p.33

<sup>4</sup> [https://www.sec.gov/ix?doc=/Archives/edgar/data/1798562/000110465922076424/tmc-20220331xs1a.htm#INDEXTOFINANCIALSTATEMENTS\\_794637](https://www.sec.gov/ix?doc=/Archives/edgar/data/1798562/000110465922076424/tmc-20220331xs1a.htm#INDEXTOFINANCIALSTATEMENTS_794637), p. 15