



Cadence Capital Limited



**TMC Investment Update**  
**September 2021**



# TMC Investment - Overview

## CDM's \$6M investment in TMC has grown to around \$85M

- The Metals Company Inc. (TMC) is seeking to develop the world's largest high-grade source of electric vehicle (EV) battery metals. The company is listed on the NASDAQ with a **US\$3.1bn** market cap.
- The NPV for the TMC resource has been calculated by TMC to be **USD\$31.3bn** (Appendix 3)
- The company holds an exploration package of over 220,000km<sup>2</sup> in one of the most metal-rich areas on the planet off the western coast of Mexico (Appendix 4). The resource is comprised by polymetallic nodules sitting 'unbound' on the ocean floor 6km below sea level (Appendix 5)
- There is enough nickel, copper, manganese and cobalt in situ to electrify 280 million EVs, with the production cost estimated to be the 2<sup>nd</sup> lowest in nickel equivalent terms globally (Appendix 6)
- Major ESG advantage over surface mining with an estimated 70-99% reduction in lifecycle ESG impacts, including zero solid waste, and 90% less CO<sub>2</sub> equivalent emissions (Appendix 7)
- Strategic partners in TMC include Glencore, Maersk Shipping, Allseas International and Hatch (Appendix 8). In addition, the Norwegian Government and the Canadian billionaire and resources investor Frank Giustra are amongst other large investors



# TMC Investor Details

- Website: [metals.co](https://metals.co)
- Investor Centre for TMC Investors: [investors.metals.co/](https://investors.metals.co/)
- NASDAQ Share Code: TMC US
- TMC Time Magazine Front Cover Article: 7<sup>th</sup> September 2021 (Updated 20<sup>th</sup> September 2021)
- Time article: [time.com/6094560/deep-sea-mining-environmental-costs-benefits/](https://time.com/6094560/deep-sea-mining-environmental-costs-benefits/)





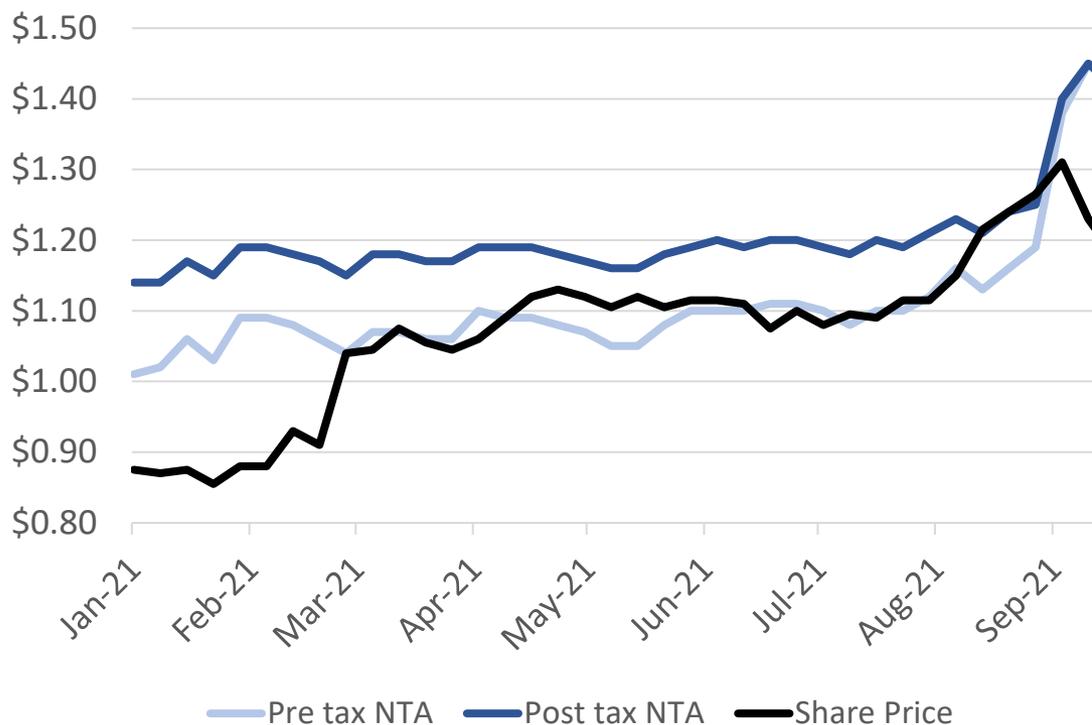
# TMC Investment – CDM History

- 2018 – Invested \$3M (1% initial position as per Cadence process) with the Management team of DeepGreen (Gerard Barron) whom we have known and made money with twice in 17 years
- 2018 – Canadian listing delayed after Glencore, Norwegian Government, Maersk Shipping and Allseas International invest into DeepGreen. CDM invested a further \$1.5M (0.5% position) for a revised listing
- 2019 – Planned listing changed to the USA with additional capital raised. CDM invests a further \$1.5M (adding additional 0.5% position)
- 2020 – Sustainable Opportunities Acquisition Corporation (NYSE: SOAC) approaches DeepGreen with an offer to merge SOAC and DeepGreen to create The Metals Company Inc. (NYSE: TMC)
- 10 September 2021 – TMC lists on the NASDAQ Exchange with an initial public offering price of US\$10
- The merger between SOAC and DeepGreen created two instruments, ordinary shares and warrants (only earned by ‘Early-stage Shareholders’ upon price driven milestones)
- CDM is an ‘Early-stage Shareholder’ in TMC and as the TMC share price appreciates, CDM will be given additional TMC shares (See Appendix 1 for details of these warrants)
- Our TMC position is currently subject to escrow - 20 days trading above \$12 in any 30 day period, or a period of 180 days (See Appendix 2)
- **CDM’s initial \$6M investment is currently valued at approximately \$85m. Roughly a 14 times uplift.**



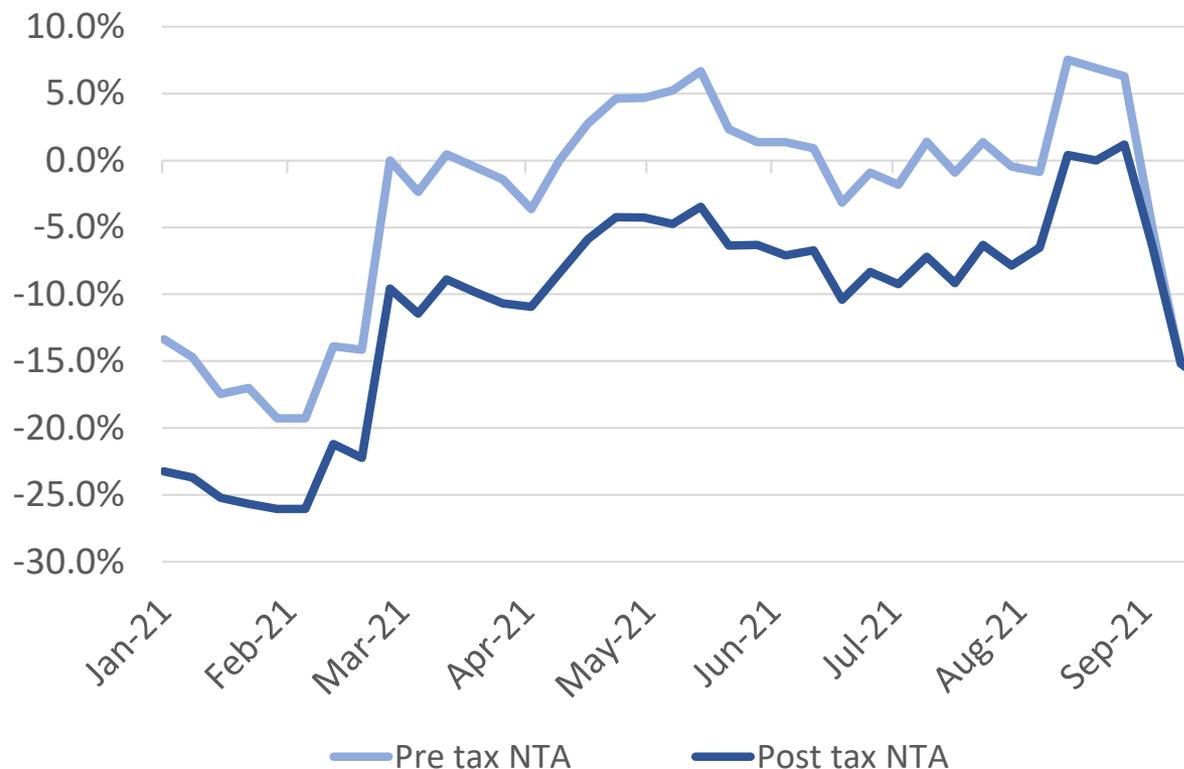
# CDM NTA Update

Estimated Net Tangible Assets Per Share as at 17th Sept 2021	Amount (\$)
Pre Tax NTA	\$1.43
Post Tax NTA	\$1.43
CDM Share Price as at 17th Sept 2021	\$1.20





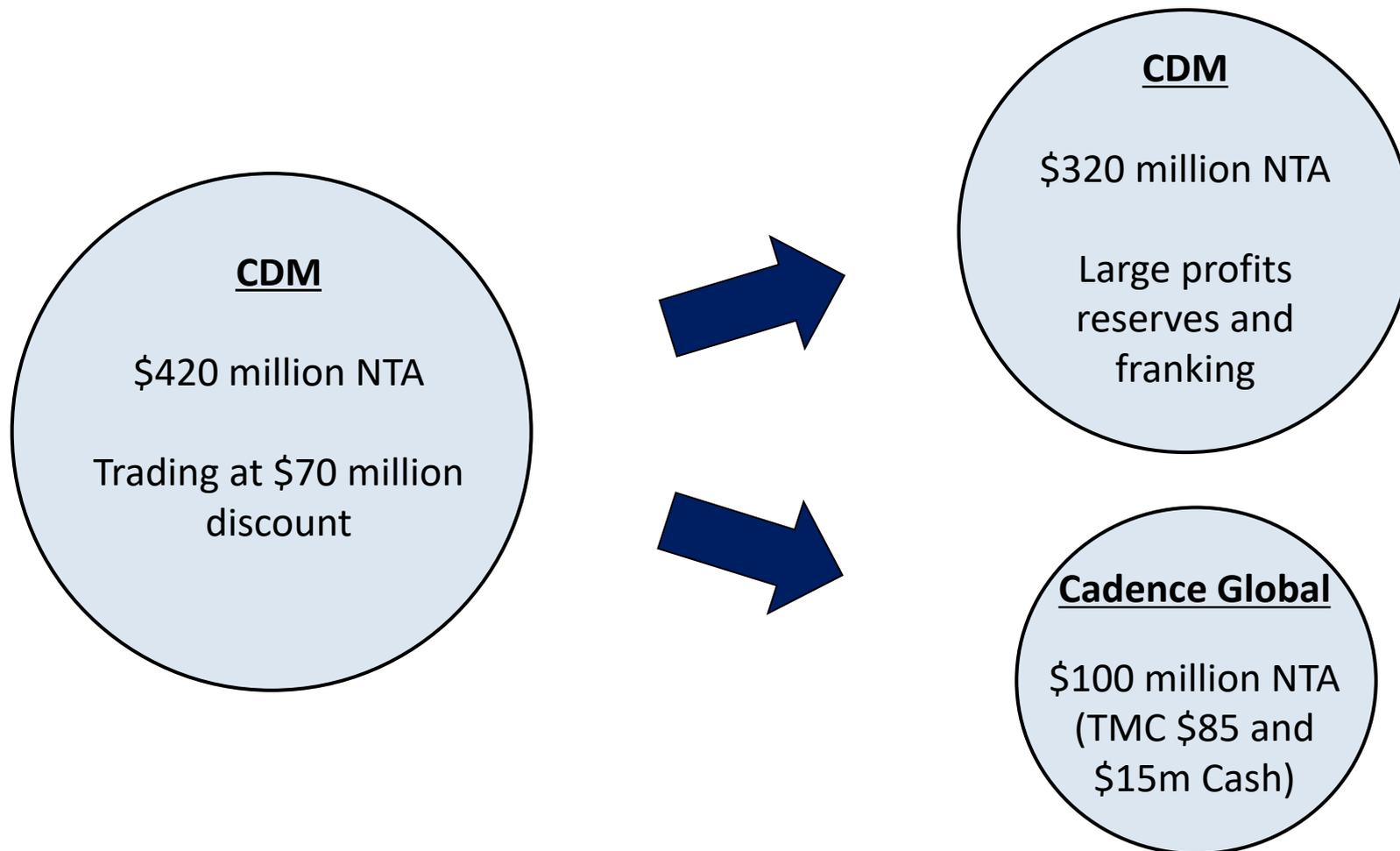
# CDM Discount / Premium to NTA



**CDM trading at between 15% and 19% discount to NTA since TMC IPO (\$63M-\$80M discount to Portfolio Value)**



# Proposed Cadence Global Demerger





# Proposed Cadence Global Demerger

## Supports several years of Fully Franked Dividends for CDM

- The recent IPO of TMC values our position at approximately \$85m. Given the magnitude of the profits (\$79M) and the size of the position post IPO (20%), the CDM Board believes the best solution for ALL shareholders is to demerge the TMC position into a separately listed vehicle
- The new listed vehicle (Cadence Global Fund) will initially comprise the TMC position and \$15 million cash seed capital provided by CDM. Over time other new global investments will be added
- CDM is a \$420M LIC currently trading at a 17% discount to NTA (\$70M discount)
- Under the demerger proposal, CDM would be a \$320m LIC with large profits reserves (29 cents per share before the TMC uplift) and franking which should support it trading close to or above NTA
- The demerged vehicle (\$100M NTA) is unlikely to trade at a \$70M discount
- Cadence Global Fund will own 'Early-stage shareholder' warrants. The TMC US vehicle does not own these warrants (See Appendix 1 & 2)
- The board will implement strategies to maximise shareholder value. These may include on-market buybacks, promoting arbitrage opportunities with the US listed vehicle, the payment of a fully franked dividend stream and developing a diversified global portfolio over time



# Pros and Cons of Demerger

## Pros of Demerger

- Shareholders will have flexibility to choose level of exposure to TMC position
- Preserve significant profit reserves and franking for CDM
- Eliminate one stock concentration exposure in CDM
- Potentially utilize the tax asset within CDM
- Expected to reduce and eliminate discount to NTA over time
- Gives investors an opportunity to access pure exposure to International Equities
- Investors in TMC US who understand this investment have an opportunity to acquire TMC shares with early-stage investor warrants not available to them in the TMC US listing

## Cons of Demerger

- Fear that Cadence Global Fund may trade at a large discount due to illiquidity



# CDM Performance Update

Estimated Gross Performance* to 17th Sept 2021	CDM	All Ords Accum	Outperformance
1 Month	26.9%	-0.7%	+27.6%
YTD	34.7%	3.0%	+31.7%
1 Year	70.5%	32.7%	+37.8%
3 Years (per annum)	14.4%	10.7%	+3.7%
5 Years (per annum)	13.6%	11.0%	+2.6%
8 Years (per annum)	10.4%	9.3%	+1.1%
10 Years (per annum)	11.7%	11.0%	+0.7%
Since Inception (15.9 years) (per annum)	14.8%	7.6%	+7.2%
Since Inception (15.9 years) (total return)	812.6%	224.9%	+587.7%

\* Gross Performance: before Management and Performance Fees

- Over the past 12 months, CDM portfolio has outperformed the All Ords by 37.8%
- Since inception CDM has returned a gross performance of 813% versus 225% for the All-Ordinaries Accumulation Index, **more than 3 times the market return**
- Liquidity in the portfolio has improved significantly and continues to be a focus for CDM
- CDM on-market buy-back has bought 25m shares, totalling \$19m at an average price of \$0.76. This benefits all CDM shareholders by increasing NTA per share
- Cadence Management and Board continue to add to their positions in CDM



# Shareholder Q & A

**Question:** The newly demerged LIC will be small and will trade at a discount to NTA. Who will buy the demerged LIC?

**Answer:** Cadence Global fund will consist of the TMC position, TMC warrants and a cash balance of approximately \$15m. Naturally there will be a few buyers:

- Arbitrage investors who could buy a fund with TMC shares, TMC warrants and cash at a discount to NTA and short TMC shares listed on the NASDAQ – these investors will profit on the spread between the long and the short positions
- Investors willing to buy TMC at a discount to its listed price in America
- The Board of Cadence Global could implement an on-market share buyback
- Cadence Asset Management Directors and staff may buy Cadence Global at a discount to NTA as we have done in CDM – in our funds we are the largest shareholders



# Shareholder Q & A

**Question:** Why don't you sell the TMC shares as soon as you are able?

**Answer:** The Cadence process is built on the philosophy of letting your winners run and cutting your losers. This is the process that has delivered strong risk-adjusted returns over the 16 years since inception. We will continue to follow the Cadence investment mandate to scale into and out of the position accordingly.

**Question:** Is TMC another Melbourne IT?

**Answer:** The TMC position is different to the previous Melbourne IT position in two key areas

- TMC is significantly more liquid than Melbourne IT – it has traded on average USD\$200m (AUD\$275m) per day since listing and the market capitalisation is over USD\$3bn (AUD\$4.1bn). Melbourne IT had a market capitalisation below AUD\$500m and on average traded between AUD\$300-400k per day
- TMC has a cost base of \$6m, nearly the entire position is profit. It would have to fall 93% in price from here to make a loss on the position
- MLB is an investment from many years ago, the portfolio has moved on.



# Shareholder Q & A

**Question:** TMC seems a very speculative position

**Answer:** We were early-stage shareholders in a company with tremendous upside potential where we had a long history of making money with the key people who were involved. As the company executes its business plan and 'de-risks' the development there will be a hopefully commensurate uplift in the valuation

**Question:** Is the reason for the proposed demerger that the portfolio manager is trying to lock in performance fees?

**Answer:** We are the largest shareholders in the fund, so by doing something that would not be in the best interest of shareholders would be detrimental to our own positions. We expect the TMC position to continue to perform well.



# Cadence Contact Details

**Website:** [www.cadencecapital.com.au](http://www.cadencecapital.com.au)

**Email Enquiry:** [info@cadencecapital.com.au](mailto:info@cadencecapital.com.au)

**Register for Monthly Newsletter:** [www.cadencecapital.com.au/newsletter](http://www.cadencecapital.com.au/newsletter)



**Karl Siegling**



**Wayne Davies**



**Charlie Gray**



**Jackson Aldridge**



# Appendix 1 – TMC Warrants

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8
Shares in Earn Out (mm)	5.00	10.00	10.00	20.50 <sup>1</sup>	20.00	20.00	25.00	25.00
Price (\$)	\$15.00	\$25.00	\$35.00	\$50.00	\$75.00	\$100.00	\$150.00	\$200.00
Equity Value of Earn Out	\$75.00	\$250.00	\$350.00	\$1,025.00 <sup>1</sup>	\$1,500.0	\$2,000.00	\$3,750.00	\$5,000.00

- Eight tranches of earn out shares available to Early-stage shareholders
- Shares vest if share price trades above the strike price for 20 out of 30 trading days
- There is no consideration payable, and no additional escrow
- Tranches range from \$15.00 per share to \$200.00 per share as shown above



# Appendix 1- TMC Warrants

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8
<b>Warrants held by CDM</b>	126,567	253,133	253,133	506,267	506,267	506,267	632,834	632,834
<b>Milestone Share Price (USD)</b>	USD\$15	USD\$25	USD\$35	USD\$50	USD\$75	USD\$100	USD\$150	USD\$200
<b>Warrant Value AUD</b>	\$2,583,000	\$8,609,966	\$12,053,952	\$34,439,932	\$51,659,898	\$68,879,864	\$129,149,796	\$172,199,728

**CDM receives TMC 'earn out' shares (for free) when certain TMC price targets are met. The same proportion of TMC shares and warrants will be transferred to the proposed Cadence Global Fund.**



## Appendix 2 – TMC Escrow

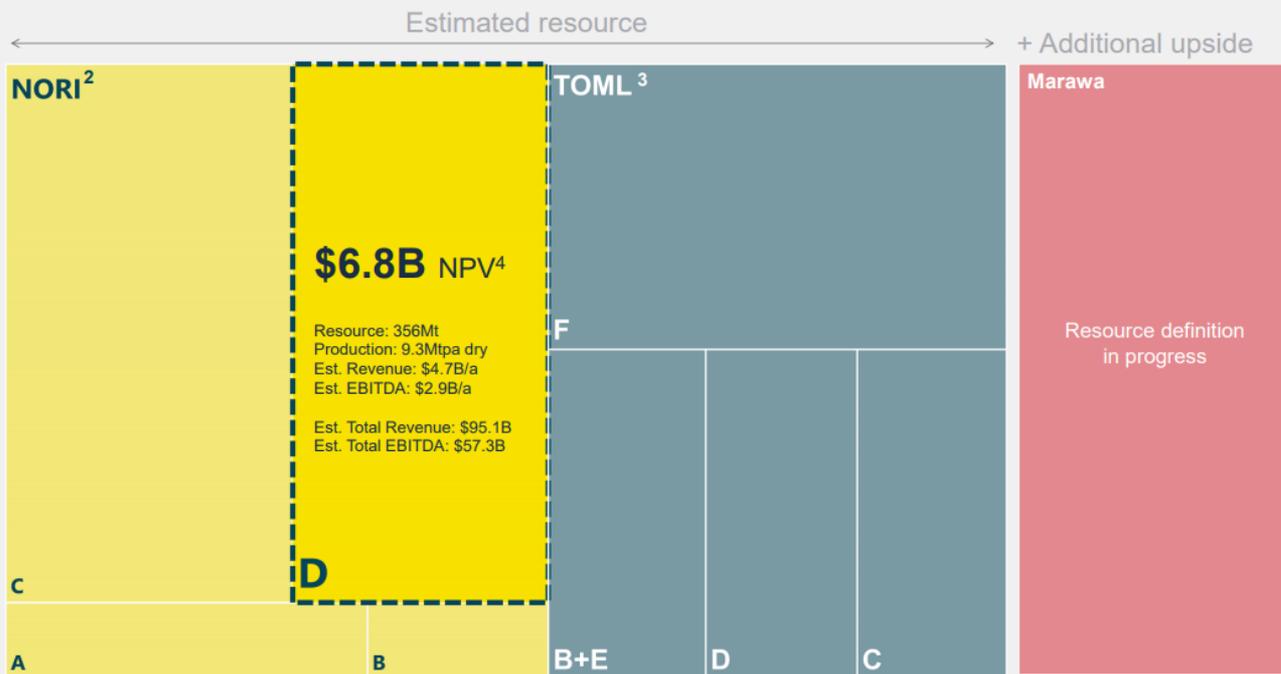
- As an Early-stage shareholder CDM TMC shares are escrowed which prevents CDM selling down these escrowed TMC shares during the escrow.
- The Lock up period is the **shorter of** :
  - 180-days; or
  - an earlier date if TMC shares **trade** at or above USD\$12.00 per share for 20 trading days within a 30 trading day period



# Appendix 3 – TMC Project Economics

**Project economics:**  
**massive estimated**  
**resource leads to**  
**massive economic**  
**upside.**

**Full portfolio<sup>1</sup>**  
Estimated resource  
**\$31.3B NPV<sup>4</sup>**  
Resource: 1.6Bt  
Production: 56Mtpa dry



<sup>1</sup> Canadian NI 43-101 Resource Statement for full field financial model (internal DeepGreen development scenario).

<sup>2</sup> Canadian NI 43-101 and SEC Regulation S-K (Subpart 1300) Compliant NORI Area D Clarion Clipperton Zone Mineral Resource Estimate and associated financial model, AMC, March 2021.

<sup>3</sup> Canadian NI 43-101 Compliant TOML Clarion Clipperton Zone Project Mineral Resource Estimate, AMC, July 2016.

<sup>4</sup> January 1, 2021, assuming 9% discount rate.

Source: TMC Investor Day Presentation, Slide 24



# Appendix 4 – TMC Exploration Assets

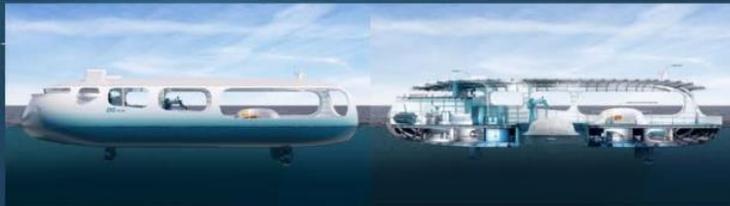




# Appendix 5 – TMC Recovery Method

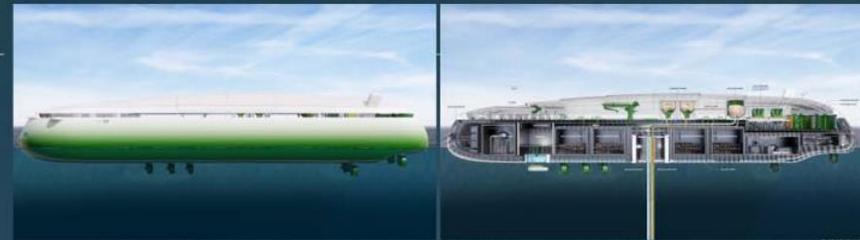
Nodule collection system:  
requires several subsea &  
surface assets.

Support vessel



Bulk carrier

Production vessel & riser



Collector robots



Source: Technical design studies & lab testing (DRT, Allseas 2015-2020); Offshore production system design, BIG October 2020.

-6000 M  
OCEAN FLOOR

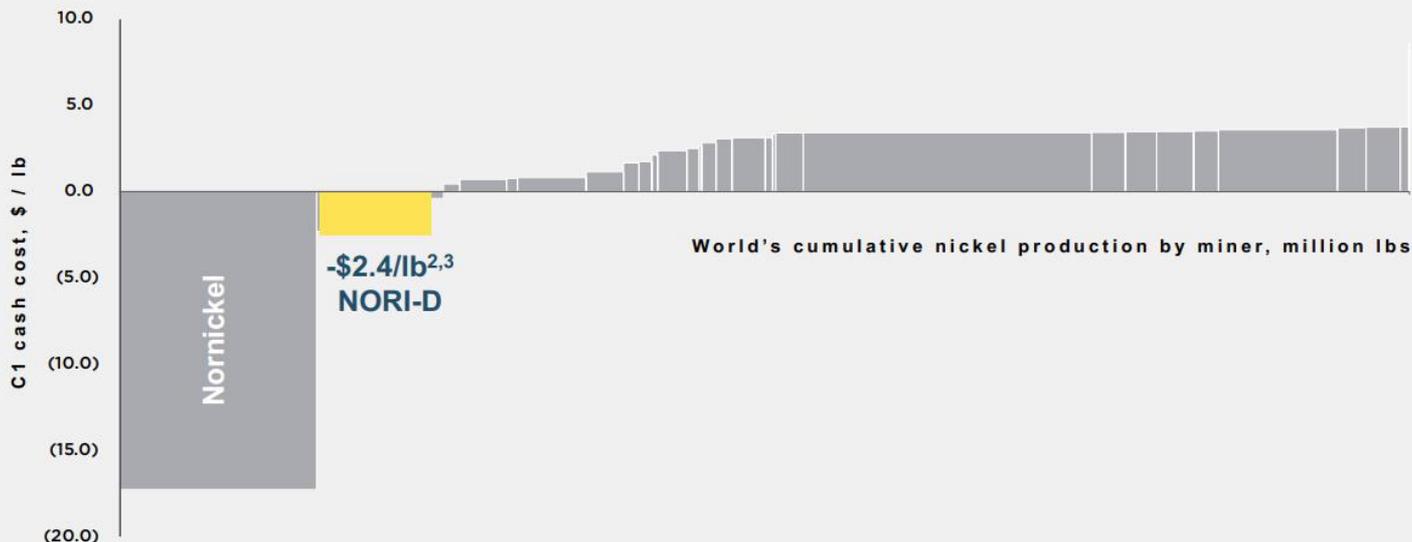


# Appendix 6 – TMC Project Cost Curve

**Solving price:  
we expect to become  
the second lowest-cost  
nickel producer  
in the world.**

## Nickel C1 cost curve on a by-products' basis<sup>1</sup>

C1 Cash Cost represents all direct costs, incl. mining, processing, freight, SGA minus revenue from by-products



<sup>1</sup> Nickel C1 Cost Curve, Wood Mackenzie, August 2020.

<sup>2</sup> Average for the steady state years 2030-45.

<sup>3</sup> Canadian NI 43-101 Compliant Preliminary Economic Assessment (PEA) for NORI-D Area, AMC, February 2021.

Source: TMC Investor Day Presentation, Slide 16



# Appendix 7 – ESG Lifecycle Benefits

## Resource use

---

**-75%**

Ore

**-94%**

Land

**-89%**

Water

**+new use**

Seafloor

## Climate change

**-70%**

CO<sub>2</sub>e  
emissions

**-94%**

Stored carbon  
at risk

**-100%**

Solid  
processing  
waste

**-98%**

Terrestrial  
ecotoxicity

**-99%**

Freshwater  
ecotoxicity

**-99%**

Eutrophication  
potential

## Habitat damage

---

## Humans

**-99%**

Human  
toxicity

**-97%**

Human lives  
at risk

**-100%**

Child labor  
risk

## Wildlife

**-93%**

Biomass  
at risk

**-93%**

Megafauna  
wildlife at risk

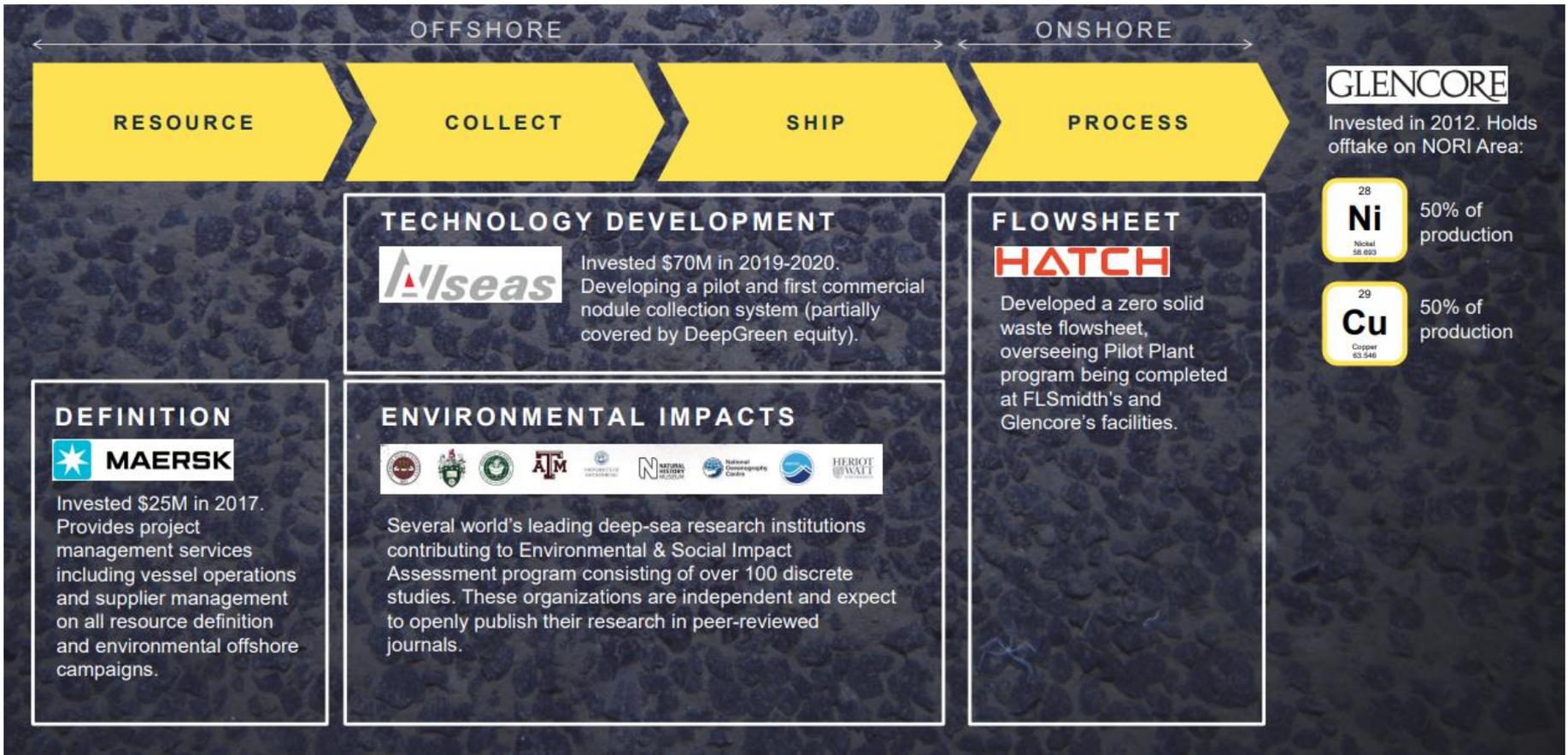
**remains**

Biodiversity  
loss risk

Source: TMC Investor Day Presentation, Slide 17



# Appendix 8 – TMC Strategic Partners



Source: TMC Investor Day Presentation, Slide 18



# Appendix 9 –TMC Key Milestones

## Key milestones ahead.

### 2011-today

#### Funding

- ✓ ~\$200M raised prior to the SOAC transaction

#### Resource

- ✓ Exploration rights to three nodule areas in the CCZ
- ✓ Canada & US standards compliant resource statements on NORI & TOML

#### Offtakes

- ✓ 50% of Ni & Cu to Glencore from NORI area

#### Vessel operations

- ✓ Partnership with Maersk
- ✓ 9 offshore campaigns

#### Collecting nodules

- ✓ Strategic partnership with Allseas
- ✓ Pilot system designed, lab tested, long-lead items procured
- ✓ Production vessel acquired

#### Processing nodules

- ✓ Zero-waste flowsheet with Hatch
- ✓ Lab-tests at KPM
- ✓ Pilot plant program in progress with FLS and XPS

#### Environmental and social impacts

- ✓ 5 comparative lifecycle assessments
- ✓ The world's most comprehensive seafloor-to-surface ocean research in progress in partnership with the world's leading institutions

### Q3&4 2021

- **Pilot: onshore processing**
- **EIS: collection pilot, CCZ**
- **MoU: pyromet toll processing, P0**
- **Contract: collection, P0**
- **Potential offtake: NiCuCo, P0**
- **Potential offtake: Mn silicate, P0**

Funded through current cash

TMC expects current cash to fund operations through the application for an ISA Exploitation Contract for NORI in Q3 2023

### 2022-Q3 2023

- Pilot: collection, Atlantic
- Pilot: collection, CCZ
- Pilot: onshore refining
- EIS: NORI-D production
- Application: ISA-NORI Exploitation Contract
- Offtakes: EV battery precursors, P1
- Offtakes: Mn silicate, P1

### Q4 2023-2024

- Contract: ISA-NORI
- **Commercial production:** P0, 1Mtpa nodules
- PFS & FS, construction, P1
- EIS: TOML-F
- Application: ISA-TOML Exploitation Contract

CCZ	The Clarion Clipperton Fracture Zone
ISA	International Seabed Authority
EIS	Environmental Impact Statement
PFS	Pre-feasibility Study
FS	Feasibility Study
P0	Project Zero
P1	Project One
Mtpa	Millions of tonnes per annum

### 2025—

- **Commercial production:** P1, 10Mtpa nodules
- Contract: ISA-TOML
- Permitting new areas and bringing them into production

New funding required

Source: TMC Investor Day Presentation, Slide 19



# Disclaimer

The information contained in this presentation has been prepared with all reasonable care by Cadence Asset Management Pty Ltd on behalf of Cadence Capital Limited and is of a general nature only. It is provided for information purposes only and should not be construed as an offer or solicitation. Nothing contained in this document constitutes investment, legal, financial, business, tax or other advice and does not take into account any particular investors personal circumstance. It should not be relied upon as the sole basis for making an investment decision, nor should a decision be made until the risks of the investment are fully understood. Neither Cadence Asset Management Pty Ltd nor Cadence Capital Limited assumes responsibilities for errors, inaccuracies or omissions in this document. To the extent permitted by law the information is provided without warranty of any kind. Past performance is not indicative of future performance. Investors may not get back the full amount originally invested. The information about TMC in this presentation is sourced from TMC (or its predecessor entities) and has not been independently verified by Cadence Asset Management Pty Ltd or Cadence Capital Limited.