Deep Seabed Mining Payment Regime
Workshop #2: Developing a Financial Modeling Framework

Thursday, Dec 1 – Friday, Dec 2

Berwin Leighton Paisner LLP
Adelaide House, London Bridge, London EC4R 9HA, UK
DX 92 London/Chancery Lane

Meeting Agenda

Workshop Objectives:
• Gain a common understanding of the variables for a baseline financial model;
• Identify variations in business/operating models across the contractor base (value chain); and
• Identify “unknowns” in financial modelling and major variables and sensitivities.

Desired Outputs:
• Proposed working (baseline) financial model for use moving forward; and
• Initial plan for how to take the model and discussions forward.

Wednesday, November 30

6:00 – 7:30 Welcome Reception [London Bridge Hotel; 8-18 London Bridge Street; London SE1 9SG]

Thursday, December 1

8:30 – 9:00 Coffee and Light Continental Breakfast

9:00 – 9:15 Welcome, Introductions, and Agenda Overview
  • Introduction of participants
  • Overview of agenda and participation ground rules – Paul De Morgan, RESOLVE

9:15 – 10:15 DSM Payment Regime Developments to Date
  • Timelines and Key Milestones in 2017 – Michael Lodge, International Seabed Authority
  • Review of DSM Payment Regime Workshop #1 – Chris Brown
  • Q&As on Workshop #1

10:15 – 10:30 Break

10:30 – 12:00 Cost Components of Financial Model
  • Present taxonomy of variables to enable actual modeling – Chris Brown
  • Focus on big picture economic drivers including:
    • Review cost components (currently 30 items)
    • Mining industry pre-feasibility/feasibility report expense
    • Mine production life
    • Nodules collection
- Nodule content
- Number of metals being processed
- Financing
- CHM issues and concerns
  - Questions and discussion

12:00 – 1:00  **Lunch**

1:00 – 2:00  DSM System Capital Expenditure Variables
  - Overview of major CAPEX variables including collection, transport, and processing – Norm Kaneshiro, UKSR
  - Questions and discussion

2:00 – 3:00  DSM System Operating Expense Variables
  - Overview of major OPEX variables related to Nodule Collection/Lift/Transport/Processing/Annual production – Kris Van Nijen, GSR
  - Questions and discussion

3:00 – 3:15  **Break**

3:15 – 4:30  DSM System Annual Revenue Variables
  - Overview of nodule collection/ore values/metal pricing 3/4/5 metal recovery approach and CHM impact/concerns – Robert Heydon, NORI
  - Questions and discussion

4:30 – 5:15  Discussion: Cost Components of Financial Model
  - Interdependencies related to model inputs

5:15 – 5:30  Reflections on Day One and Looking Forward to Day Two
  - Brief recap of day one highlights and thoughts for day two agenda

5:30  **Adjourn to Dinner**

6:00 – 8:00  **No Host Dinner**  [Pulia; 36 Stoney St, London SE1 9LB]

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**Friday, December 2**

8:30 – 9:00  **Coffee and Light Continental Breakfast**

9:00 – 9:15  Agenda Review and Brief Reflection of Day One
  - Agenda Review
  - Opportunity to share reflections on day one (and overnight considerations)
9:15 – 10:30 Other Components of Financial Model
- Overview presentation – Peter Jantzen, Capital Power Management Ltd (UK)
  - Investment (Equity & Debt Financing), Weighted Cost of Capital (WACC elements), Net Present Value (NPV), Internal Rate of Return (IRR) and Hurdle Rate, Payback Period – other indicators? Capital/Debt Constraints
  - Corporate Tax, Currency Risk, Inflation, Depreciation
- Questions and discussion

10:30 – 10:45 Break

10:45 – 12:00 ISA and Sponsoring State Cost Components of Financial Model
- Overview of potential regulatory costs including fees, bonds, royalties, and other costs – Harald Brekke, LTC Member
- Questions and discussion

12:00 – 1:00 Lunch

1:00 – 2:00 Cost Components of Financial Model Review
- Review and update based on workshop discussion

2:00 – 3:00 Discussion: Moving From Cost Components to an Excel Version of the Financial Model
- Share thoughts on financial model structure and content
- Identify priority items and how to reflect
- Build template consensus among workshop participants

3:00 – 3:15 Break

3:15 – 4:15 Discussion: Moving From Cost Components to an Excel Version of the Financial Model (continued)
- Revisit goals/objectives identified during the meeting thus far
- Discuss longer term options and objectives

4:15 – 5:00 Meeting Outputs
- Confirm the Workshop substantive outputs and timing
- Define deliverables for LTC and Payment Regime Workshop #3
- Discuss stakeholder communication from the Workshop

5:00 – 5:30 Moving Forward
- Confirm approach for moving forward
- Agree on next steps

5:30 Meeting Adjourns