

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
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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*]

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**