

ODYSSEY MARINE EXPLORATION INC  
Form 10-K  
March 16, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark one)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number 001-31895**

**ODYSSEY MARINE EXPLORATION, INC.**

**(Exact name of registrant as specified in its charter)**

**Nevada** **84-1018684**  
**(State or other jurisdiction of** **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**5215 W. Laurel Street, Tampa, Florida 33607**

**(Address of principal executive offices)**

**(813) 876-1776**

**(Registrant's telephone number including area code)**

**Securities registered pursuant Section 12(b) of the Act:**

<b>Common Stock, \$.0001 par value</b>	<b>NASDAQ Capital Market</b>
<b>(Title of each class)</b>	<b>(Name of each exchange on which registered)</b>
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes  No

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Indicate by mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the 80 million shares of voting stock held by non-affiliates of Odyssey Marine Exploration, Inc. as of June 30, 2014 was approximately \$135 million. As of February 26, 2015, the Registrant had 85,582,502 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Form 10-K is incorporated by reference to the Company's Definitive Proxy Statement for the Registrant's Annual Meeting of the Shareholders to be held on June 9, 2015.

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*As used in this Annual Report on Form 10-K, we, us, our company and Odyssey mean Odyssey Marine Exploration, Inc. and our subsidiaries, unless the context indicates otherwise.*

### **PART I**

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. The statements regarding Odyssey Marine Exploration, Inc. and its subsidiaries contained in this report that are not historical in nature, particularly those that utilize terminology such as may, will, should, likely, expects, anticipates, estimates, believes, plans, terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

Important factors known to us that could cause such material differences are identified in this report and in our RISK FACTORS in Item 1A. Accordingly, readers of this Annual Report on Form 10-K should consider these factors in evaluating, and are cautioned not to place undue reliance on the forward-looking statements contained herein. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **ITEM 1. BUSINESS**

### **Overview**

Odyssey Marine Exploration, Inc. is a world leader in deep-ocean exploration. The Company's innovative techniques are currently being applied to historic shipwreck projects, modern commodity shipwrecks, and mineral exploration.

Odyssey has extensive experience discovering shipwreck sites in the deep ocean and conducting archaeological excavations with remotely operated vehicles (ROVs). Odyssey's historic shipwreck discoveries include the SS *Republic*, HMS *Victory*, *Black Swan*, *La Marquise de Tourny*, and many other unidentified shipwrecks. In 2012 and 2013 we set records for the deepest and heaviest cargo recoveries from a shipwreck during our commodity salvage work on the SS *Gairsoppa*. A total of nearly 110 tons of silver, representing more than 99% of the insured silver on board, was recovered from the *Gairsoppa* shipwreck, which is over 15,000 feet deep.

In 2010, we began to leverage our core business expertise and technology for deep-ocean mineral exploration. Our expeditions conducted with Neptune Minerals, Inc. and Chatham Rock Phosphate, Ltd. resulted in the assessment of significant mineral deposits. We have also begun to explore other deep-ocean mineral projects and are the majority owner of Oceanica Resources S. de R.L. (Oceanica), a Panamanian company. We acquired our majority interest in Oceanica in February 2013. Oceanica, through a wholly owned subsidiary, has exclusive mining permits for an area that contains large amounts of mineralized phosphate material off the coast of Mexico.

We employ state-of-the-art technology, including side-scan sonar, multi-beam bathymetry, magnetometers, ROVs, specialized drilling and other advanced equipment that enables us to locate shipwrecks and natural resource sites at depths that were previously unreachable. Odyssey continues to build on a foundation of shipwreck and geological research, government relationship development and pioneering of techniques in deep-ocean exploration. We utilize technologies that have been developed at great expense in other fields, primarily the military, oil and telecommunications industries and use our deep-ocean experience to modify and customize these technologies to create proprietary applications specific to our exploration and recovery needs.

### **Deep-Ocean Shipwreck Exploration**

Our shipwreck projects go through several phases, beginning with research of historical records and academic materials, to establish potential target sites for search operations. Odyssey's research department maintains data on thousands of shipwrecks and continuously develops new potential projects. Project research may focus on a particular search area where historical documents suggest recorded and unrecorded high-value targets may rest due to the proximity of shipping routes frequented by vessels carrying rich cargoes.

Each project that targets a specific shipwreck begins with the research necessary to evaluate the potential value, location and likelihood of finding the wreck. Research is also necessary to establish the historical significance of the sunken ship and helps define the context in which the ship sank, which is essential for preparing an archaeological project plan and the complex logistics that precede excavation of a site.

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Sites that meet our criteria are selected for search operations that typically begin with a side-scan sonar survey of the target area, which is sometimes coupled with a magnetometer survey, multi-beam bathymetric survey or other acoustic or geophysical survey technologies. The most interesting anomalies on the ocean floor are then inspected visually with an ROV, which sends real-time video images to monitors on the survey vessel for observation by the scientific and technical teams. These images are also downloaded and saved for additional evaluation onshore. Sometimes, it is immediately obvious whether the inspected site is of interest or not – as in the case of geology, modern debris, or when identifiable artifacts are readily apparent on the site. In other instances, it may take additional research and return visits to a site to arrive at probable or positive identification of the vessel and to determine the next step forward. Even when a shipwreck’s identity is confirmed or an area of geological interest is identified, a detailed reconnaissance inspection or pre-disturbance survey may be required prior to commencing any recovery or resource assessment operations.

If and when historic target sites are identified, we undertake an archaeological pre-disturbance survey and archaeological excavation subjected to stringent archaeological standards, thus adding to the body of knowledge of the people, the history and culture of the vessel’s time. Adherence to these principles is a core value of the Company, and in addition to satisfying international professional standards, will enhance shareholder value by increasing the economic value of the artifacts and intellectual property rights of each project.

Archaeological excavation and recovery operations are conducted on historic shipwreck sites and combine ROVs with sophisticated positioning systems, cameras and specialized computer hardware and software to carefully record the location of artifacts *in situ* and to document the entire archaeological process as the artifacts are recovered from a shipwreck site. As they conduct robotic archaeological operations at sites hundreds and sometimes thousands of feet below the ocean surface, Odyssey’s ROV pilots are directed by marine archaeologists aboard the recovery vessel. The archaeological excavation of cargo is followed by conservation, recording, documentation, and publication/exhibition.

If and when a modern commodity shipwreck target is identified, surgical removal of deck plates or ship’s structure may be necessary to obtain access to the cargo to be salvaged. Commercial monetization of recovered cargo is conducted under established Admiralty law or contract with sovereign nation governments.

The Odyssey team shares the knowledge gained through our expeditions with the world. We share this information through multiple channels including television, the Internet, books, archaeological and scientific papers, periodicals, educational programs and traveling exhibits. We maintain several Internet sites, including [www.odysseymarine.com](http://www.odysseymarine.com), [www.odysseyminerals.com](http://www.odysseyminerals.com), [www.shipwreck.net](http://www.shipwreck.net), [www.odysseysvirtualmuseum.com](http://www.odysseysvirtualmuseum.com) and [www.shipwreckstore.com](http://www.shipwreckstore.com) and assisted the Maritime Heritage Foundation with the first virtual shipwreck dive trail available at [www.Victory1744.org](http://www.Victory1744.org). We also allow collectors to own a piece of history by offering select duplicate cargo items, artifact replicas and collectibles that provide an opportunity for everyone interested in shipwrecks to participate in Odyssey’s fascinating discoveries at the level of their choice. Information that is included on or linked to our Internet sites is not considered part of this Annual Report.

## **Sales and Marketing**

Select duplicate cargo items considered trade goods (coins, bullion and other mass-produced trade goods or cargo) are made available for sale to collectors only after conservation, thorough documentation and study. The cultural collection of artifacts is kept in our permanent collection for exhibit and further study or made available to museums or other institutions. Replicas are created of some of the permanent collection’s significant artifacts and are made available for sale to the public.

The recovery of coins and artifacts from the SS *Republic* required us to create a marketing plan specifically to sell these coins and artifacts. Initially, coins were sold to independent coin dealers who sold them through direct marketing and television outlets. The SS *Republic* silver coin program was re-developed in 2008 to take advantage of emerging research on the silver coins from the SS *Republic*. This included the release of the 1861-O silver half dollar issued by the State of Louisiana in between the time it seceded from the Union and when it joined the Confederate States of America. Additionally, Odyssey has continued to expand distribution channels in recent years with a broader base of coin and collectible marketers, including opening markets overseas.

The availability of raw materials is primarily dependent on the success of finding intrinsically valuable cargoes from shipwrecks. We recovered over 51,000 coins (approximately 4,000 \$10 and \$20 gold coins and 47,000 silver half dollars) and approximately 14,000 non-coin artifacts from the SS *Republic*. As of December 31, 2014, we have a remaining inventory of approximately 24,700 silver coins.



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When we recover bullion or commodity metals in large volumes, it may have to be refined into a form that is readily tradable in today's bullion and commodity metal markets. We may sell certain parts of the bullion in original form, some of it in refined form, or use some of the metal to make special collection memorabilia. If it takes time to refine and sell bullion cargo after it is recovered from a shipwreck, we may engage in some financial hedging for the commodity during the period while we are preparing the bullion cargo to be monetized.

### **Deep-Ocean Mineral Exploration**

Odyssey has leveraged the expertise of our team of some of the industry's most experienced ocean explorers and geologists along with our extensive inventory of advanced deep-ocean technology to advance the science of exploration and assessment of seabed mineralized material.

Utilizing the chartered RV *Dorado Discovery*, or similar ships with Odyssey's customized and specialized equipment, the Odyssey team has the ability to perform precision geo-physical and geo-technical surveys, detailed mapping, sampling, environmental assessments, drilling, and resource evaluations. Odyssey discontinued the long-term lease of the RV *Dorado Discovery* vessel in 2014, but still maintains equipment on board the vessel and may re-charter the vessel for future projects.

There are three economically significant seabed mineral deposits being evaluated or explored by Odyssey:

**Phosphorites** Phosphorite deposits are mineral occurrences that are recovered primarily for their phosphate material. Phosphorites may be present on the seabed or in the stratigraphic column. Phosphate is an agriculturally important mineral used primarily for crop fertilization, though a variety of uses exist for phosphate and phosphorus, the significant element in phosphate. Phosphorites exist in a wide range of depositional environments. Several factors contribute to the formation of phosphorites, including a supply of phosphorus, present or pre-existing complex oceanographic circulation patterns, and a proper sedimentological setting. Generally, phosphorites are targeted on continental shelves and slopes, though phosphorites do occur on oceanic seabed features such as guyots (flat-topped seamounts).

**Polymetallic nodules** These nodular concretions are found on the seabed and consist of concentric layers of iron and manganese hydroxides. Nodules generally consist primarily of either manganese or iron. Manganese nodules can contain up to 30% manganese as well as other valuable metals and minerals, while iron nodules generally contain a mixture of iron, silicon, and aluminum ore. Polymetallic nodules are found at the seabed interface in oceans worldwide. Nodules must exhibit proper metal content and exist in sufficient concentration to be of potential economic interest. Some areas hosting economically viable nodules include the Clarion-Clipperton Fracture Zone between Hawaii and Mexico, the Peru Basin, and the northern Indian Ocean.

**Seafloor Massive Sulphides (SMS)** SMS deposits are found on the ocean floor and contain copper, zinc, gold, silver and other trace metals. SMS deposits are found in areas of active or complex tectonic or volcanogenic activity, such as near oceanic spreading centers (such as the Mid-Atlantic Ridge and East Pacific Rise), back-arc basins (such as the Manus Basin in Papua New Guinea waters) and submarine arc volcanic chains (such as Kermadec Arc in New Zealand waters).

We provide exploration services including geophysical and geotechnical assessments of seabed mineral deposits to companies, including Odyssey subsidiaries and companies in which Odyssey holds an equity position, as well as governments around the world as a full-service contractor or as a resource development partner. When performing mineral exploration services, Odyssey may receive payments in the form of cash, equity interests in the contracting company, or financial interests in the tenement. If Odyssey is required to use the services of a third-party contractor to

perform some of its exploration work, Odyssey may choose to pay a part of this contractor's services in the form of equity in the company which holds the tenement rights to the exploration area.

### **Operational Projects and Status**

We have numerous deep-ocean projects in various stages of development around the world. In order to protect the targets of our planned search or recovery operations, in some cases we may defer disclosing specific information relating to our projects until we have located a shipwreck or other potentially valuable sources of interest and determined a course of action to protect our property rights. With respect to mineral deposits, SEC Industry Guide 7 outlines the Commission's

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basic mining disclosure policy and what information may be disclosed in public filings. With respect to shipwrecks, the identity of the ship may be indeterminable and the nature and amount of cargo may be uncertain, thus before completing any recovery, specific information about the project may be unavailable. Although Odyssey has a variety of projects in various stages of development, only projects with operational activity in the past 12 months are included below.

### **SS *Central America* Project**

In March 2014, we were awarded an exclusive contract to conduct an archaeological excavation and recover the remaining valuable cargo from the SS *Central America* shipwreck located approximately 160 miles off the coast of South Carolina. The ship, which was immortalized in the best-selling book, *Ship of Gold in the Deep Blue Sea*, sank in 1857 with one of the largest documented cargoes of gold ever lost at sea.

Odyssey was selected for the project by Ira Owen Kane, the court-appointed Receiver for Recovery Limited Partnership (RLP) and Columbus Exploration, LLC. The service contract was approved by the Common Pleas Court of Franklin County, Ohio, which has jurisdiction over the Receivership for RLP and Columbus Exploration, LLC. The shipwreck itself is under the admiralty jurisdiction of the United States District Court for the Eastern District of Virginia, Norfolk Division, which ruled in July 2014 that RLP had the exclusive shipwreck salvage rights. Monetization of the cargo recovered in 2014 has not yet occurred because the Virginia Court has not yet released the cargo recovered from the SS *Central America*. Under the agreement with RLP, Odyssey will receive 80% of the proceeds of monetization of cargo until a fixed mobilization fee and a negotiated day rate are paid (the Priority Recoupment). Thereafter, Odyssey will receive 45% of the proceeds of monetization.

Odyssey conducted survey and archaeological recovery work on the shipwreck site from mid-April through mid-September 2014. Over 15,500 silver and gold coins as well as 45 gold ingots, dust, nuggets, jewelry and other artifacts were recovered from the shipwreck. The detailed recovery inventory lists and recovery reports are available on our website. Odyssey has exclusive rights to perform future recovery work on this shipwreck site under contract with RLP through the first quarter of 2019. RLP and Odyssey will continue to analyze the data obtained in 2014 to determine whether to conduct work on the site in future seasons.

No revenues from this project have been recognized to date because the recovered items have not been monetized yet and thus the realized value cannot be fully measured at this time. However, we recognized the Priority Recoupment as a benefit (credit to expense) in the second and third quarters of 2014 because the potential monetization value of the already-recovered cargo is well in excess of the project costs. The Priority Recoupment in the second and third quarter of 2014 was \$3.5 million and \$2.8 million, respectively. Tens of millions of dollars worth of valuable cargo was recovered from the shipwreck in 2014, but the exact value will only be determined by a monetization event. Odyssey has a right to a share of the proceeds from this monetization but is not the owner of the recovered cargo and, that being the case, none of the recovered cargo is carried as inventory on the balance sheet of Odyssey. The first proceeds received by Odyssey from the monetization of the recovered cargo will be used to satisfy any outstanding principal and interest due on the Fifth Third Bank credit facility of May 7, 2014 (See Note K).

### **HMS *Victory* Project**

In 2008, Odyssey discovered the shipwreck of HMS *Victory* (lost 1744) and, with the permission of the UK Ministry of Defence (MOD), recovered two cannons to aid in positive identification of the shipwreck. In 2010, the MOD and the UK Department for Culture Media and Sport (DCMS) held a joint public consultation on options for the management of the site. In January 2012, a deed of gift transferred the *Victory* (1744) and associated materials belonging to the Crown to the Maritime Heritage Foundation (MHF), a UK charity whose mission is to promote

knowledge and understanding of Britain's maritime heritage. Odyssey is recognized as the salvor-in-possession of the wreck by the MHF and under maritime law. The MHF has now assumed responsibility for the future management of the wreck site and has contracted with Odyssey to provide a full range of archaeological, recovery, conservation and other services.

Between February and August 2012, Odyssey conducted, on behalf of the MHF, a comprehensive non-disturbance survey that completed the non-disturbance sections (phases 1-2) of the project design. The wide ranging initiatives included side-scan and multibeam sonar, production of two photomosaics, the recording of all surface features, remote geophysical sensing for ferrous (FADE), non-ferrous (TSS) and other sub-bottom imaging anomalies (SBI), and an environmental and marine biological site assessment contracted to the University of St. Andrews, Scotland. Three sacrificial frames containing metal and wood samples were buried offsite as part of an environmental studies program. Five papers detailing this non-disturbance work have been published, including *HMS Victory (Site 25C). Preliminary Results of the Non-Disturbance Shipwreck Survey, 2012.* These scientific papers, as well as eight others related to *Victory*, are available at [www.victory1744.org](http://www.victory1744.org), a website dedicated to *Victory* that includes a unique virtual dive trail.

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A detailed project design for the archaeological excavation of the site, including a complete plan for recording, documentation, conservation, publication and public education was submitted to the UK Ministry of Defence's Advisory Group. On October 24, 2014, the UK Ministry of Defence (MOD) announced its consent to proceed with the archaeological investigation and recovery of at-risk artifacts from the HMS *Victory* (1744) wreck site in accordance with the Project Design that has been approved. In March 2015, the MOD withdrew this permission to address the issues raised in an application for Judicial Review of the original consent. The MHF has informed us they expect the MOD to promptly issue a new consent taking into account the issues raised in the Judicial Review application. An application to the UK Marine Management Organisation (MMO) was submitted in December 2014 seeking a permit for regulated activities related to the *Victory* Project. A decision on the application is expected late in the first quarter or early second quarter of 2015.

### ***Gairsoppa* Project**

On January 25, 2010, Odyssey was awarded the exclusive salvage contract for the cargo of the SS *Gairsoppa* by the United Kingdom Government (UKG) Department for Transport. The contract was awarded after a competitive bid process. This contract has been extended to allow recovery operations to continue through 2015.

The SS *Gairsoppa* was a 412-foot steel-hulled British cargo ship that was torpedoed by a German U-boat in February 1941 while enlisted in the service of the UKG Ministry of War Transport. The Ministry of War Transport paid a War Risk Insurance Claim for £325,514 (\$542,000) (in 1941 value) for 2,817 bars of silver that were reported to be on board the *Gairsoppa* when she sank.

Under the recovery contract, Odyssey assumed the risk, expense, and responsibility for the search, cargo recovery, documentation, marketing, and sale of the cargo. The monetary proceeds from the salvage were first applied to reimbursement of Odyssey's search, recovery and processing expenses. The remaining monetary proceeds were then divided with Odyssey retaining 80% of the net salvaged value and 20% retained by the UKG.

Search operations began in July 2011. On September 26, 2011, we announced confirmation of the identity and location of the SS *Gairsoppa* approximately 300 miles southwest of Galway, Ireland, in waters approximately 4,700 meters deep. Initial recovery operations for the 2012 season began on June 4, 2012, and ended on September 23, 2012. During 2012 operations, a total of 1,218 silver ingots, weighing approximately 1.4 million troy ounces, were recovered from the SS *Gairsoppa*. In May 2013, Odyssey returned to the SS *Gairsoppa* site. An additional 61 tons, or 1.8 million troy ounces, of silver in 1574 ingots were recovered in the 2013 season. The total of 2,792 ingots of silver recovered represent more than 99% of the insured silver reported on board when the *Gairsoppa* sank.

The total proceeds from the silver recovered in the 2012 season and a small amount of gold derived from refining the silver was \$41.0 million. The total proceeds from the silver recovered in the 2013 season and a small amount of gold derived from refining the silver was \$35.0 million. These proceeds are net of the processing fees of the refiner but before the contracted split between the UK government and Odyssey. The majority of the silver bullion recovered was refined and sold on the London Metals Exchange. Some of the silver ingots were preserved and sold to collectors in 2013. Odyssey paid \$10.0 million to the UK government as its share of the proceeds from the monetization of the recovered cargo from the *Gairsoppa*.

### **Commodity Wreck Program**

The Company has negotiated salvage contracts with ship owners that will award 90% of the net recovered cargo value to Odyssey for four separate deep-ocean shipwrecks carrying valuable commodities when they sank. Odyssey's research has also identified numerous other shipwrecks carrying potentially valuable commodity cargos and these

shipwrecks, which don't require advance salvage agreements, have also been added to the program.

Planning is underway to identify the necessary ships and equipment for the exploration, assessment and recovery of these cargoes. Odyssey has conducted tests of a new 6,000 meter inspection class ROV, a new 3,000 meter depth capable 7160 hull mounted multi-beam, and a 12 kHz 6,000 meter echo-sounder that can be utilized on these commodity projects. In addition, an advanced custom 6,000 meter depth capability search system that utilizes dual 7125 multi-beam systems was delivered in the second quarter of 2014 for use on commodity shipwreck search and inspection projects. In September and October 2014, we fully integrated this new system aboard the *Odyssey Explorer* and conducted extensive at-sea tests of this new technology. The capabilities of this new system provide us with an effective deep ocean search system that significantly extends our ability to detect and assess both shipwreck and mineralized deposits down to the depth of 6,000 meters.

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Depending on the ultimate decisions made in the course of the Company's strategic planning initiatives as well as the availability of recovery ships, technology and equipment, we intend to consider planning for a program to begin work on commodity shipwreck projects in the near and medium term. Before initiating recovery efforts on any of these commodity shipwrecks, reconnaissance is required in order to determine the position and condition of the ships and to define the specific equipment needed for the recovery operations.

### **Subsea Mineral Mining Exploration Projects**

#### **Oceanica Resources, S. de R.L.**

In February 2013, we disclosed Odyssey's ownership interest, through Odyssey Marine Enterprises, Ltd., a wholly owned Bahamian company (Enterprises), in Oceanica Resources, S. de R.L., a Panamanian company (Oceanica) and Exploraciones Oceanicas, S. De R.L. De C.V. (ExO), a subsidiary of Oceanica. ExO is in the business of mineral exploration and controls exclusive permits in an area in Mexican waters that contains a large amount of phosphate mineralized material. Phosphate is a key ingredient of fertilizers. In March 2014, Odyssey completed a first NI 43-101 compliant report on the deposit and periodically issues updates on this report. Odyssey initially held 77.6 million of Oceanica's 100.0 million outstanding shares. Subsequently, Enterprises sold and transferred to Mako Resources, LLC (Mako) 15.0 million shares for a purchase price of \$1.00 per share, or \$15 million, and granted Mako options to purchase an additional 15.0 million shares at the purchase price of \$2.50 per share before December 31, 2013.

In June 2013, Mako agreed to exercise of a portion of these options to purchase 8 million shares at a reduced exercise price of \$1.25 per share. As part of Odyssey's strategy to maintain a control position in Oceanica, in parallel with the early exercise, Odyssey purchased one million shares of Oceanica from another Oceanica shareholder at \$1.25 per share. This transaction also granted Odyssey voting rights on an additional three million shares of Oceanica held by such other Oceanica shareholder so long as there is no change in control of Odyssey.

An option to purchase an additional one million shares was exercised by Mako on December 30, 2013 for a total amount of \$2.5 million. The options on the remaining 6.0 million shares were extended in December 2014 and early 2015. On March 11, 2015, these options were terminated in exchange for the issuance of 4.0 million shares of our common stock to Mako. This termination was a requirement of the March 11, 2015 financing deal. See the Subsequent Event Note U to our financial statements.

ExO has conducted extensive scientific testing of the mineralized phosphate material and of the environmental impact of recovering the mineralized material from the seafloor. Oceanica has been working with leading environmental experts on the impact assessment and permitting process, with Royal Boskalis on the extraction and processing program, and with JPMorgan on the strategic growth alternatives.

ExO applied for and recently has been granted additional mining concession areas by the Mexican government. These additional areas are adjacent to the zones with the highest concentration of mineralization in the original mining concession area.

In September 2014, ExO reported that the Environmental Impact Assessment (EIA) for proposed dredging and recovery of phosphate sands from the Don Diego deposit had been filed with the Mexican Secretary of Environment and Natural Resources (SEMARNAT). This EIA application is needed in order to obtain an environmental permit to begin the commercial extraction of phosphate from the tenement area. In November 2014, SEMARNAT held a public hearing on the EIA in Mexico and asked supplemental questions to Oceanica on its EIA application. In full compliance with the SEMARNAT process, a response was filed in March 2015. In addition to providing supplemental scientific information and studies, the response included additional mitigation and economic considerations to

reinforce ExO's commitment to being good corporate citizens and stewards of the environment.

In August 2014, we entered into a new loan agreement with Monaco Financial, LLC, a marketing partner. Under terms of that agreement, Monaco may convert all or part of the loan balance into Oceanica shares held by us or purchase some Oceanica shares from us at a pre-defined price (See NOTE K). At December 31, 2014, the outstanding principal amount on the loan agreement was \$10.0 million.



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### **Neptune Minerals, Inc.**

We currently own approximately 6.2 million Class B non-voting shares of Neptune Minerals, Inc. (NMI), a company focused on discovering and commercializing high-value mineral deposits. In 2013, we extended a convertible loan of \$500,000 to NMI, which was fully reserved for at December 31, 2013. The loan matured on April 26, 2014. In April 2014, the note was converted into 5,225 shares of Series A Preferred non-voting stock. These shares are convertible into 522,500 shares of Series A voting shares for no additional consideration. Our current ownership of NMI is approximately 29%. NMI holds tenement rights to numerous SMS (Seafloor Massive Sulfides) deposits in the South Pacific that commonly contain high concentrations of copper, zinc, gold, and silver. Our investment in NMI is carried in the consolidated financial statements at a net value of zero. We are not involved in the management of NMI nor do we have any obligation to fund NMI.

### **Chatham Rock Phosphates, Ltd.**

In 2012, we received 9.3 million shares of Chatham Rock Phosphates Ltd. common stock for mineral exploration charter services valued at \$1.7 million. Chatham Rock Phosphates Ltd. currently holds a license covering over 4,000 square kilometers off the coast of New Zealand believed to have significant seabed deposits of rock phosphate. Since our share acquisition, other major investors have acquired shares that have diluted our position to under 10%. Chatham Rock Phosphates has received the governmental mining permit for their tenement area but was turned down in February 2015 on its first environmental permit application.

### **Legal and Political Issues**

Odyssey works with a number of leading international maritime lawyers and policy experts to constantly monitor international legal initiatives that might affect our projects. As a matter of policy, we begin with the assumption that some entity, whether a government, private concern or insurance company, may have some rights to shipwrecks that are slated for search and recovery operations. Based on this assumption, a rigorous legal analysis is undertaken in order to ascertain which entities might be able to create roadblocks to a successful project. In some cases, such as that of HMS *Sussex*, it was determined that the most prudent mechanism for moving forward was to negotiate a contract with the owner of the vessel in order to manage the litigation risk.

In other cases, such as the SS *Republic* project, we entered into an agreement whereby we purchased the insurance company's interest in the shipwreck and cargo, opening the way for an immediate grant of title to Odyssey by the federal court that had jurisdiction.

To the extent that we engage in mineral exploration or shipwreck search and recovery activities in the territorial, contiguous or exclusive economic zones of countries, Odyssey intends to comply with verifiable applicable regulations and treaties. Prior to beginning operations for any project, the legal and political aspects are carefully researched to ascertain what effect these issues may have on the potential success of the operation.

These factors are taken into account in determining whether to proceed with a project as planned. Other factors, such as the UNESCO Convention for the Protection of Underwater Cultural Heritage are also taken into consideration. New political initiatives such as this Convention could require compliance with additional cultural resource management guidelines and regulations. Some of these will require adherence to strict archaeological practices and we intend to follow reasonable guidelines in all projects to which they are applicable.

We believe there will be increased interest in the protection of underwater cultural heritage throughout the oceans of the world. We are uniquely qualified to provide governments and international agencies with knowledge and skills to

help manage these resources while providing the public with educational, scientific, historical and entertainment initiatives that originate from our shipwreck exploration activities. As related to mineral exploration, we will determine the political climate and specific legal requirements of any areas in which we are working. We may partner with third parties who have unique industry experience in specific geographical areas to assist with navigation of the regulatory landscape.

**Competition**

Odyssey shipwreck recovery projects are focused on deep-sea sites where competition is limited due to the expertise and specialized equipment needed to operate at such depths. There are a number of companies that publicly identify themselves as engaged in aspects of the shipwreck business, but they do not compete directly with us as an established deep-ocean

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archaeological shipwreck exploration company. These entities include, but are not limited to Blue Water Ventures, Mel Fisher's Treasures, Deep Blue Marine, Marine Exploration, Inc., Oceanic Research and Recovery, Seafarer Exploration, Deep6 Ltd., Sub Sea Research, Earth Dragon Resources, Endurance Exploration Group and UnderSea Recovery Corporation. Some companies such as Phoenix International Holdings Inc. and Oceaneering International Inc. may provide deep-sea services to groups seeking to pursue deep sea projects. It is possible that one of these companies or some currently unknown group may locate and recover a shipwreck on our project roster; however, due to the breadth of our historical and archival research, the already completed sonar and deep-water ROV inspection efforts, and the number of shipwreck projects in various stages of development, we do not believe that competition from one or more of these entities, known or unknown, would materially affect our operating plan or alter our current business strategy.

Odyssey mineral exploration is conducted on both shallow and deep sea terrains. There are a number of companies that publicly identify themselves as engaged in aspects of deep-ocean mineral exploration or mining including Nautilus Minerals (NUS.TO), Neptune Minerals, and Chatham Rock Phosphate (CRP.NZ) as well as countries that are exploring options to utilize deep-ocean mineralized materials. As our mineral exploration business plan includes partnering with others in the industry, we view these entities as potential partners rather than pure competitors. As mineral rights are generally granted on an exclusive basis for a specific area or tenement, once licenses are granted we do not anticipate any competitive intrusion on those areas. It is possible that one of these companies or some currently unknown group may secure licenses on an area desired by Odyssey or one of our partners; but since exploration work does not start until licenses are secured, we do not believe that competition from one or more of these entities, known or unknown, would materially affect our operating plan or alter our current business strategy.

## **Cost of Environmental Compliance**

With the exception of vessel operations and conservation activities, our general business operations do not expose us to environmental risks or hazards. We carry insurance that provides a layer of protection in the event of an environmental exposure resulting from the operation of our vessels. The cost of such coverage is minimal on an annual basis. We believe the risk associated with our conservation activities is minimal. Our seabed mineral business is currently in the exploration and validation phase and has thus not exposed us to environmental risks or hazards.

## **Executive Officers of the Registrant**

The names, ages and positions of all the executive officers of the Company as of March 1, 2015 are listed below.

Mark D. Gordon (age 54) has served as Chief Executive Officer since October 1, 2014, as President since October 2007 and was appointed to the Board of Directors in January 2008. Previously, Mr. Gordon served as Chief Operating Officer since October 2007 and as Executive Vice President of Sales and Business Development since January 2007 after joining Odyssey as Director of Business Development in June 2005. Prior to joining Odyssey, Mr. Gordon owned and managed four different ventures (1987-2003).

Philip S. Devine (age 48) joined the Company in September 2013 from which time he has served as the Chief Financial Officer. Prior to joining Odyssey, Mr. Devine served as CFO of several publicly listed companies in Europe. Most recently he was a consultant with DECOFI sprl (2010-2013) and CFO at MDxHealth S.A. (2003-2012).

Jay A. Nudi, CPA (age 51) has served as Principal Accounting Officer since January 2006 and joined Odyssey as Controller in May 2005. Mr. Nudi assumed the additional responsibilities of Treasurer in May 2010. Prior to joining Odyssey, Mr. Nudi served as Controller for The Axis Group in Atlanta (2003-2004).

Laura L. Barton (age 52) was appointed as Executive Vice President and Director of Communications in June 2012 and formerly served as Vice President and Director of Corporate Communications from November 2007 to June 2012. Ms. Barton previously served as Director of Corporate Communications and Marketing for Odyssey since July 2003. Ms. Barton was previously President of LLB Communications, a marketing and communications consulting company whose customers included a variety of television networks, stations and distributors and the Company (1994-2003).

Melinda J. MacConnel (age 50) was appointed as Executive Vice President, General Counsel and Secretary in June 2012 and formerly served as Vice President and General Counsel from 2008 to June 2012. She joined Odyssey in March 2006 as a Legal Consultant and became Odyssey's General Counsel in January 2007. Prior to joining the Company, Ms. MacConnel practiced law as a Litigation Consultant, providing counsel to attorneys in all areas of law.

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John D. Longley, Jr. (age 48) has served as Chief Operating Officer since October 1, 2014. Previously Mr. Longley served as Executive Vice President of Sales and Business Development since February 2012. Mr. Longley was originally the Director of Sales and Business Operations when he joined the Company in May 2006.

## **Employees**

As of December 31, 2014, we had 38 full-time employees, most working from our corporate offices in Tampa, Florida. Additionally, we contract with companies to operate our vessels and technicians who perform marine survey and recovery operations on our vessels and from time to time we hire subcontractors and consultants to perform specific services.

## **Internet Access**

Odyssey's Forms 10-K, 10-Q, 8-K and all amendments to those reports are available without charge through Odyssey's web site on the Internet as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. They may be accessed as follows: [www.odysseymarine.com](http://www.odysseymarine.com) (Investors/Financial Information Link).

## **ITEM 1A. RISK FACTORS**

*You should carefully consider the following factors, in addition to the other information in this Annual Report on Form 10-K, in evaluating our company and our business. Our business, operations and financial condition are subject to various risks. The material risks are described below, and should be carefully considered in evaluating Odyssey or any investment decision relating to our securities. This section is intended only as a summary of the principal risks. If any of the following risks actually occur, our business, financial condition, or operating results could suffer. If this occurs, the trading price of our common stock could decline, and you could lose all or part of the money you paid to buy our common stock.*

### ***Our business involves a high degree of risk.***

An investment in Odyssey is extremely speculative and of exceptionally high risk. Although we have access to a substantial amount of research and data which has been compiled regarding various shipwreck and seabed mineral projects, the quality and reliability of such research and data is uncertain. Even if we are able to plan and obtain permits for our various projects, there is a possibility that the shipwrecks may have already been salvaged or may not be found, or may not have had anything valuable on board at the time of the sinking. Even if objects of value are located and recovered, there is the possibility that the excavation cost will exceed the value of the objects recovered or that others, including both private parties and governmental entities, will assert conflicting claims and challenge our rights to the recovered objects. Finally, even if we are successful in locating and retrieving objects from a shipwreck and establishing title to them, there are no assurances as to the value that such objects will bring at their sale, as the market for such objects is uncertain. Depending on the type of cargo recovered, maximizing the value of the cargo may necessitate an extended sales cycle to convert the cargo into cash. With respect to mineral exploration projects, there are uncertainties with respect to the quality and quantity of the material and their economic feasibility, the price we can obtain for the sale of the deposit or the ore extracted from the deposit, the granting of the necessary permits to operate, environmental safety, technology for extraction and processing, distribution of the eventual ore product, and funding of necessary equipment and facilities. In projects where Odyssey takes a minority shareholding in the company holding the mining rights, there may be uncertainty as to this company's ability to move the project forward.

***The research and data we use may not be reliable.***

The success of a shipwreck project is dependent to a substantial degree upon the research and data we have obtained. By its very nature, research and data regarding shipwrecks can be imprecise, incomplete, outdated, and unreliable. It is often composed of or affected by numerous assumptions, rumors, legends, historical and scientific inaccuracies and misinterpretations which have become a part of such research and data over time. For mineral exploration, data is collected based on a sampling technique and available data may not be representative of the entire ore body or tenement area.

***Operations may be affected by natural hazards.***

Underwater exploration and recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Further, such operations may be undertaken more safely during certain months of the year than others. We cannot guarantee that we, or the entities we are affiliated with, will be able

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to conduct search and recovery operations during favorable periods. In addition, even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions may occur that adversely affect our operations. It is also possible that natural hazards may prevent or significantly delay search and recovery operations. Seabed mineral extraction work may be subject to interruptions resulting from storms that impact the extraction operations or the ports of delivery.

### ***We may be unable to establish our rights to resources or items we discover or recover.***

Persons and entities other than Odyssey and entities we are affiliated with (both private and governmental) may claim title to the shipwrecks and/or valuable cargo that we may recover. Even if we are successful in locating and recovering shipwrecks and/or valuable cargo, we cannot assure we will be able to establish our rights to property recovered if challenged by governmental entities, prior owners, or other attempted salvors claiming an interest therein. In such an event we could spend a great deal of time and money on a shipwreck project, and receive no salvage claim or revenue for our work. We may discover potentially valuable seabed mineral deposits, but we may be unable to get title to the deposits or get the necessary governmental permits to commercially extract the minerals. Our shipwrecks or mineral deposits may be in controlled waters where the policies and laws of a certain government may change abruptly, thereby impacting our ability to operate in those zones.

### ***The market for any objects or minerals we recover is uncertain.***

Even if valuable items can be located and recovered in the future, it is difficult to predict the price that might be realized for such items. The value of certain recovered items will fluctuate with the precious metals market, which has been highly volatile in past years. In addition, the entrance on the market of a large supply of similar items from shipwrecks and/or valuable cargo located and recovered by others could depress the market. During the time between the date a mineral deposit is discovered and the date the first extracted minerals are sold, world and local prices for the mineral may fluctuate drastically and thereby change the economics of the mineral project.

### ***We could experience delays in the disposition or sale of recovered objects or minerals.***

The methods and channels that may be used in the disposition or sale of recovered items are uncertain at present and may include several alternatives. Ready access to buyers for any artifacts or other valuable items recovered cannot be guaranteed. Delays in the disposition of such items could adversely affect our cash flow. It may take significant time between the date a mineral deposit is discovered and the date the first extracted minerals are sold. Stakes in the mineral deposits can potentially be sold at an earlier date, but there is no guarantee that there will be readily available buyers at favorable competitive prices.

### ***Legal, political or civil issues could interfere with our marine operations.***

Legal, political or civil issues of countries and/or major maritime governments could restrict access to our operational marine sites or interfere with our marine operations or rights to seabed mineral deposits.

### ***Objects we recover could be stolen from us.***

If we locate a shipwreck and assert a valid claim to items of value, there is a risk of theft of such items at sea by pirates or poachers before or after the recovery or while in transit to a safe destination as well as when stored in a secured location. Such thefts may not be adequately covered by insurance.

***We may be unable to get permission to conduct salvage operations, conduct exploration, or perform extraction operations.***

It is possible we will not be successful in obtaining title or permission to excavate certain wrecks, conduct exploration work, or conduct extraction operations. In addition, permits that are sought for the projects may never be issued, and if issued, may be revoked or not honored by the entities that issued them. In addition, certain governments may develop new permit requirements that could delay new operations or interrupt existing operations.



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***Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses.***

As changes in our business environment occur we may need to adjust our business strategies to meet these changes or we may otherwise find it necessary to restructure our operations or particular businesses or assets. When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets. In any of these events our costs may increase, and we may have significant charges associated with the write-down of assets. Discontinuing the use of a multi-year charter of a ship may result in large one-time costs to cover any penalties or charges to put the ship back into its original condition.

***We may be unsuccessful in raising the necessary capital to fund operations and capital expenditures.***

Our ability to generate cash inflows is dependent upon our ability to recover and monetize high-value shipwrecks, large quantities of minerals or mineral rights. However, we cannot guarantee that the sales of our products and other available cash sources will generate sufficient cash inflows to meet our overall cash requirements. If cash inflows are not sufficient to meet our business requirements, we will be required to raise additional capital through other financing activities. While we have been successful in raising the necessary funds in the past, there can be no assurance we can continue to do so in the future.

***We depend on key employees and face competition in hiring and retaining qualified employees.***

Our employees are vital to our success, and our key management and other employees are difficult to replace. We currently do not have employment contracts with the majority of our key employees. We may not be able to retain highly qualified employees in the future which could adversely affect our business.

***We may continue to experience significant losses from operations.***

We have experienced a net loss in every fiscal year since our inception except for 2004. Our net losses were \$26.5 million in 2014, \$10.7 million in 2013 and \$18.2 million in 2012. Even if we do generate operating income in one or more quarters in the future, subsequent developments in our industry, customer base, business or cost structure or an event such as significant litigation or a significant transaction may cause us to again experience operating losses. We may not become profitable for the long-term, or even for any quarter.

***Technological obsolescence of our marine assets or failure of critical equipment could put a strain on our capital requirements or operational capabilities.***

We employ state-of-the-art technology including side-scan sonar, magnetometer, ROVs, and other advanced science and technology to locate and recover shipwrecks at depths previously unreachable and perform seabed mineral exploration in an economically feasible manner. Although we try to maintain back-ups on critical equipment and components, equipment failures may require us to delay or suspend operations. Also, while we endeavor to keep marine equipment in excellent working condition and current with all available upgrades, technological advances in new equipment may provide superior efficiencies compared to the capabilities of our existing equipment and this could require us to purchase new equipment which could require additional capital.

***We may not be able to contract with clients or customers for marine services or syndicated projects.***

In the past, from time to time, we have earned revenue by chartering out vessels, equipment and crew and providing marine services to clients or customers. We have not recognized any marine services revenue in 2014. While the

results of these syndicated projects were generally successful, the clients or customers may not be willing or financially able to continue with syndicated projects of this type in the future. Failure to secure such revenue producing contracts in the future may have a material impact on our revenue and operating cash flows. We may take payment for these services in the form of cash, shares in the client's company, or financial interest in the tenement areas. There is no guarantee that the non-cash payment for our services will ever be able to be monetized or be used by Odyssey.

***The issuance of shares at conversion prices lower than the market price at the time of conversion and the sale of such shares could adversely affect the price of our common stock.***

Some of our outstanding shares may have been acquired from time to time upon conversion of outstanding senior convertible notes at conversion prices that are lower than the market price of our common stock at the time of conversion. In the past, Odyssey has issued debt obligations that could be converted into common shares at prices below the market price. Although no such debt instruments are currently outstanding, Odyssey may issue similar debt obligations in the future. Conversion of the notes at conversion prices that are lower than the market price at the time of conversion and the sale of the shares issued upon conversion could have an adverse effect upon the market price of our common stock.

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***Investments in subsea mineral exploration companies may prove unsuccessful.***

We have invested in marine mineral companies that to date are still in the exploration phase, and have not begun to earn revenue from operations. Depending on the entity, we may or may not have control or input on the future development of these businesses. There can be no assurance that these companies will achieve profitability or otherwise be successful in capitalizing on the mineralized materials they intend to exploit.

***We may be subject to short selling strategies.***

Short sellers of our stock may be manipulative and may drive down the market price of our common stock. Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometimes known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. Although traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called "research reports" that mimic the type of investment analysis performed by large Wall Street firms and independent research analysts. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers, who have limited trading volumes and are susceptible to higher volatility levels than large-cap stocks, can be particularly vulnerable to such short seller attacks. These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S., are not subject to certification requirements imposed by the Securities and Exchange Commission and, accordingly, the opinions they express may be based on distortions or omissions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the enormous profit that can be made from running just one successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed short sellers will continue to issue such reports.

***Some of our equipment or assets could be seized or we may be forced to sell certain assets***

We have pledged certain assets, such as equipment, buildings, inventory, and shares of subsidiaries as collateral under our loan agreements. Some suppliers have the ability to seize some of our assets if we do not make timely payments for the services, supplies, or equipment that they have provided to us. If we were unable to make payments on these obligations, the lender or supplier may seize the asset or force the sale of the asset. The loss of such assets could interrupt our operations. The sale of the asset may be done in a manner and under circumstances that do not provide the highest cash value for the sale of the asset.

***We could be delisted from the NASDAQ Capital Market exchange.***

Our common stock is listed on the NASDAQ Capital Market, which imposes, among other requirements, a minimum bid requirement. The closing bid price for our common stock must remain at or above \$1.00 per share to comply with NASDAQ's minimum bid requirement for continued listing. If the closing bid price for our common stock is less than \$1.00 per share for 30 consecutive business days, NASDAQ may send us a notice stating we will be provided a period of 180 days to regain compliance with the minimum bid requirement or else NASDAQ may make a determination to

delist our common stock. Delisting from the NASDAQ Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. If our common stock is delisted by NASDAQ, our common stock may be eligible to trade on an over-the-counter quotation system, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. Our stock has traded for less than \$1.00 for 30 consecutive business days and we received notice of this from the NASDAQ Capital Market on March 9, 2015. We have 180 calendar days to remedy. We cannot assure you that our common stock, if delisted from the NASDAQ Capital Market, will be listed on another national securities exchange or quoted on an over-the counter quotation system.

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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We maintain our offices in Tampa, Florida where we purchased a 23,500 square-foot two story office building in 2004 to serve as our corporate and operations headquarters. In May 2008, we purchased a one-story 8,100 square-foot commercial building in proximity to our corporate headquarters which is utilized by our conservation, research and archaeology departments. This property has been subsequently sold in 2015, and the conservation, research and archaeology departments were relocated to our corporate headquarters. We believe our facility is sufficient for our foreseeable needs.

**ITEM 3. LEGAL PROCEEDINGS**

See the information set forth under the heading *Admiralty Legal Proceedings* in Part I, Item 1 of this report for disclosure regarding certain admiralty legal proceedings in which Odyssey has been involved. Such information is hereby incorporated by reference into this Part I, Item 3.

The Company is not currently a party to any material litigation.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Performance Graph**

*This performance graph shall not be deemed filed with the SEC or subject to Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act of 1933, as amended.*

Assuming an investment of \$100 on December 31, 2009, and reinvestment of all dividends, if any, the graph below compares the cumulative total stockholder return on the Company's Common Stock for the last five fiscal years with the cumulative return of the Standard & Poor's 500 Market Index and the Russell 2000 Market Index.

**COMPARISON OF FIVE-YEAR TOTAL RETURN AMONG ODYSSEY,  
S&P 500 STOCK INDEX AND RUSSELL 2000 STOCK INDEX**

<b>Total Return Analysis</b>	12/31/2009	12/31/2010	12/30/2011	12/31/2012	12/31/2013	12/31/2014
<b>Odyssey Marine Exploration, Inc.</b>	<b>\$ 100.00</b>	<b>\$ 197.16</b>	<b>\$ 194.33</b>	<b>\$ 210.64</b>	<b>\$ 143.26</b>	<b>\$ 65.96</b>
<b>S&amp;P 500 Index</b>	<b>\$ 100.00</b>	<b>\$ 115.06</b>	<b>\$ 117.42</b>	<b>\$ 136.92</b>	<b>\$ 181.27</b>	<b>\$ 206.09</b>
<b>Russell 2000 Market Index</b>	<b>\$ 100.00</b>	<b>\$ 125.31</b>	<b>\$ 118.47</b>	<b>\$ 135.81</b>	<b>\$ 186.07</b>	<b>\$ 192.63</b>

**Price Range of Common Stock**

Our common stock is listed on the NASDAQ Capital Market under the symbol OMEX. The following table sets forth the high and low sale prices for our common stock during each quarter presented.

<b>Quarter Ended</b>	<b>Price</b>	
	<b>High</b>	<b>Low</b>
March 31, 2013	\$ 3.61	\$ 2.78
June 30, 2013	\$ 3.59	\$ 2.59
September 30, 2013	\$ 3.70	\$ 2.73
December 31, 2013	\$ 3.18	\$ 1.72
<b>Quarter Ended</b>		
March 31, 2014	\$ 2.74	\$ 1.72
June 30, 2014	\$ 2.36	\$ 1.18
September 30, 2014	\$ 1.85	\$ 0.85
December 31, 2014	\$ 1.39	\$ 0.85



**Table of Contents****Approximate Number of Holders of Common Stock**

The approximate number of record holders of our common stock at March 12, 2015 was 264. This does not include shareholders that hold their stock in accounts included in street name with broker/dealers which approximates 14,000 shareholders.

**Dividends**

Holders of our common stock are entitled to receive such dividends as may be declared by our Board of Directors. No dividends have been declared with respect to our common stock and none are anticipated in the foreseeable future.

**Unregistered Sales of Equity Securities**

There were no unregistered sales of equity securities of the Company's common stock during the year ended December 31, 2014.

**Issuer Purchases of Equity Securities**

There were no repurchases of shares of the Company's common stock during the year ended December 31, 2014.

**ITEM 6. SELECTED FINANCIAL DATA**

The following table sets forth selected financial data, which should be read in conjunction with the Company's Consolidated Financial Statements and the related notes to those statements included in Item 8. Financial Statements and Supplementary Data and with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Form 10-K. The selected financial data have been derived from the Company's audited financial statements.

Dollars in thousands except per share amounts	Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>Results of Operations</b>					
Revenue	\$ 1,323	\$ 23,914	\$ 13,198	\$ 15,727	\$ 21,001
Net income (loss)	(26,473)	(10,741)	(18,184)	(16,225)	(23,343)
Earnings (loss) per share basic	(0.31)	(0.13)	(0.25)	(0.28)	(0.36)
Earnings (loss) per share diluted	(0.31)	(0.13)	(0.25)	(0.28)	(0.36)
Cash dividends per share					
<b>Financial Position</b>					
Assets	\$ 25,090	\$ 51,461	\$ 26,897	\$ 23,414	\$ 19,407
Long-term obligations	11,808	5,662	4,011	5,690	2,776
Shareholder's equity (deficit)	(10,404)	13,207	(20,759)	(9,775)	(7,548)

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is intended to provide a narrative of our financial results and an evaluation of our financial condition and results of operations. The discussion should be read in conjunction with our consolidated



financial statements and notes thereto. A description of our business is discussed in Item 1 of this report which contains an overview of our business as well as the status of our ongoing project operations.

### **Results of Operations**

The dollar values discussed in the following tables, except as otherwise indicated, are approximations to the nearest \$100,000 and therefore do not necessarily sum in columns or rows. For more detail refer to the Financial Statements and Supplementary Data in Item 8. The tables identify years 2014, 2013 and 2012, all of which included a twelve-month period ended December 31.

**Table of Contents****2014 Compared to 2013**

Increase/(Decrease) (Dollars in millions)	2014 vs. 2013			
	2014	2013	\$	%
Recovered cargo sales and other	\$ 1.3	\$ 23.7	\$ (22.4)	(95%)
Exhibit	0.1	0.1	(0.1)	(54)
Expedition	0.0	0.1	(0.1)	(100)
Total revenue	\$ 1.3	\$ 23.9	\$ (22.6)	(94%)
Cost of sales	\$ 0.2	\$ 0.7	\$ (0.4)	(64)
Marketing, general and administrative	9.8	14.2	(4.4)	(31)
Operations and research	19.5	26.0	(6.5)	(25)
Total operating expenses	\$ 29.5	\$ 40.9	\$ (11.4)	(28%)
Other income (expense)	\$ (1.0)	\$ 2.6	\$ (3.6)	(137%)
Income tax benefit (provision)	\$ 0.5	\$ (0.5)	\$ 1.0	197%
Non-controlling interest	\$ 2.2	\$ 4.1	\$ (1.9)	(47%)
Net income (loss)	\$ (26.5)	\$ (10.7)	\$ (15.7)	(146%)

**Revenue**

Revenue is generated through the sale of recovered cargo such as coins, bullion, and merchandise, the lease of our themed attraction exhibit and expedition charters. Although significant quantities of gold and silver cargo items were recovered from the SS *Central America* shipwreck in 2014, no revenues were recognized in 2014 from this project because the exact amount can only be measured upon monetization of the recovered cargo. The ability to monetize cargo from this project is dependent on a final judicial ruling from the United States Federal Court. As a result, none of the cargo recovered in 2014 from SS *Central America* shipwreck has been monetized so far.

The decrease in recovered cargo and other sales of \$22.4 million (from \$23.7 million in 2013 to \$1.3 million in 2014) was primarily due to the fact that a large quantity of valuable shipwreck cargo was both recovered and monetized in 2013 from the *Gairsoppa* shipwreck, whereas none of the shipwreck cargo recovered in 2014 from the SS *Central America* shipwreck was monetized in the same year. Significant quantities of gold and silver cargo items were recovered from the SS *Central America* shipwreck in 2014, but they have not been monetized because the US Federal Court for the District of Virginia that oversees the rights to the shipwreck and cargo has not yet released the cargo for monetization. Since the cargo has not yet been monetized, we are unable to measure the exact proceeds from an eventual sale of the recovered cargo and have thus not recognized any revenue from this project in 2014. In 2014, \$0.3 million of revenue was recognized from the *Gairsoppa* project whereas \$20.8 million of revenue was recognized in 2013 from this same project. Licensing and royalties related to *Gairsoppa* project provided a further \$1.5 million in revenue in 2013 as compared to 2014. Sales of coins held in inventory from other shipwrecks were also lower in 2014 as compared to 2013.

## Cost and Expenses

Cost of sales consists of shipwreck recovery costs, grading, conservation, packaging, and shipping costs associated with recovered cargo and merchandise sales. Cost of sales decreased by \$0.4 million in 2014 versus 2013, or in roughly the same proportion as the decrease in Recovered cargo sales and other revenues (excluding *Gairsoppa*), which decreased by 55%.

Marketing, general and administrative expenses primarily include all costs within the following departments: Executive, Finance & Accounting, Legal, Information Technology, Human Resources, Marketing & Communications, Sales and Business Development. Marketing, general and administrative expenses were \$9.8 million in 2014 as compared to \$14.2 million in 2013. The decrease of \$4.4 million is mainly due to a \$2.1 million reduction in employee-related costs and one-time costs in 2013, such as the \$1.1 million payment of the Spanish government legal fees for the *Black Swan* case, the \$0.4 million cost to hedge silver bullion, the one-time retirement costs of the former Chief Financial Officer, and the \$0.5 million provision for a loan made by the Company in 2013. The provision for the loan was reversed in 2014.

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Operations and research expenses primarily include all costs within Archaeology, Conservation, Exhibits, Research, and Marine Operations, which include all vessel and charter operations. Operations and research expenses were \$19.5 million in 2014 as compared to \$26.0 million in 2013. The decrease in operating and research expenses of \$6.5 million primarily represented a net decrease in the total cost to operate the Odyssey vessels. The \$3.3 million increase in the full year *Odyssey Explorer* vessel operating costs related to the SS *Central America* shipwreck project were offset by a cost recoupment agreement with the owners of the SS *Central America* shipwreck for an amount of \$6.2 million, resulting in a net decrease of \$2.9 million on the full year expenses of the Odyssey Explorer vessel as compared to 2013. The *Gairsoppa* project in 2013 generated expenses of \$11.0 million, primarily for the charter of the *Seabed Worker* vessel, but the terms with the UK government also provided for a \$9.2 million cost recoupment on the project, resulting in a net consolidated project cost in 2013 of \$1.8 million. Odyssey did not work on the *Gairsoppa* project in 2014. Odyssey ceased the multi-year charter of the *Dorado Discovery* vessel in September 2014, resulting in a reduction of \$1.2 million in operating costs for this vessel for the full year as compared to 2013. Included in this net variance of \$1.2 million is a \$3.0 million asset impairment charge to depreciation in 2014. In 2013, Odyssey performed off-shore drilling and validation work on Don Diego concession areas off the coast of Mexico. In 2014, no offshore work was needed on this concession area, thereby resulting in a reduction of \$0.5 million in Operations and research costs related to mineral exploration. Excluding the amounts credited to operating expenses in 2014 and 2013 from the two shipwreck projects (*Gairsoppa* and SS *Central America*), total operations and research expenses decreased by \$9.5 million from 2013 to 2014, or a reduction of 27%.

**Other Income or Expense**

Other income and expense generally consists of interest income on investments offset by interest expense on our financial debt obligations. It can also include the change in fair value of the derivatives related to our issuance of certain convertible warrants and notes. Net other income or expense swung from net other income of \$2.6 million in 2013 to net other expense of \$1.0 million in 2014 as a result of (i) a drop in gains on hedging instruments (\$1.2 million gain on silver hedging in 2013, none in 2014), and (ii) a drop in other income in 2014 related to the change in the fair value of derivative financial instruments as compared to the previous year (see NOTE J), offset in part by lower financial debt interest expense in 2014 (lower balance of interest-bearing debt in 2014). Other income in 2014 consisted of \$1.0 million in income from the change in the fair value of derivative financial instruments (\$0.9 million related to the change in the stock price/volatility and \$0.1 million related to other changes in assumptions and adjustments), and \$0.1 million other income from sale of equipment, offset by \$1.6 million of expense from interest on our financial debt and \$0.5 million expense from the reduction in the value of an investment in NMI. In 2013, Odyssey had a net other income result of \$2.6 million. This was comprised of a positive amount of \$4.4 million from the change in the fair value of derivative liabilities (\$1.4 million related to the change in the stock price volatility, \$1.6 million related to the redemption of certain outstanding instruments, \$0.5 million related to the change in the volatility of certain instruments, and \$0.9 million of other changes), a gain of \$1.2 million on hedging instruments linked to silver prices in 2013, and \$0.6 million in other miscellaneous income, offset by an interest expense of \$3.5 million.

**Taxes and Non-Controlling Interest**

Although the Company has significant tax loss carryforwards, the Company accrued alternative minimum taxes related to the sale of subsidiary stock in 2013 for an amount of \$0.5 million. As a result of an IRS private letter ruling to the Company in 2014, we reversed the \$0.5 million provision for income taxes made in 2013.

Starting in 2013, we became the controlling shareholder of Oceanica. Our financial statements thus include the financial results of Oceanica. Except for intercompany transactions that are eliminated upon consolidation, Oceanica's revenues and expenses, in their entirety, are shown in our consolidated financial statements. The share of Oceanica's net losses corresponding to the equity of Oceanica not owned by us is subsequently shown as the Non-Controlling

Interest in the consolidated statements of operations. The non-controlling interest adjustment in 2014 was \$1.9 million lower than in 2013 due to lower expenses in our subsidiaries in 2014 as compared to 2013. In 2013, our subsea mineral exploration subsidiary was engaged in offshore work for the phosphate deposit exploration and validation whereas in 2014 most of the work involved on-shore work.

### Liquidity and Capital Resources

<b>(Dollars in thousands)</b>	<b>2014</b>	<b>2013</b>
<b>Summary of Cash Flows:</b>		
Net cash (used) by operating activities	\$ (28,555)	\$ (19,658)
Net cash (used) by investing activities	(2,968)	(4,505)
Net cash provided by financing activities	13,344	35,388
Net increase (decrease) in cash and cash equivalents	\$ (18,179)	\$ 11,226
Beginning cash and cash equivalents	21,322	10,096
Ending cash and cash equivalents	\$ 3,144	\$ 21,322

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**Table of Contents****Discussion of Cash Flows**

Net cash used by operating activities for 2014 was \$28.6 million, or an increase of \$8.9 million compared to the previous year, primarily due to the increase in accounts receivable related to the SS *Central America* project. The 2014 operating cash flows primarily reflected a net loss before non-controlling interest of \$28.7 million offset in part by non-cash items of \$7.4 million including depreciation and amortization of \$5.5 million (\$3.0 million of which was an asset impairment charge to depreciation resulting from the termination of the *Dorado Discovery* charter), share-based compensation (\$2.2 million), notes payable interest accretion (\$0.6 million), and increased by non-cash items such as fees/interest paid with stock (\$0.1 million), and the change in the fair value of derivative liabilities (\$1.0 million, see NOTE J). Other working capital changes (including non-current assets) resulted in a decrease in working capital of \$5.7 million. This primarily included an increase in accounts receivable in 2014 of \$6.3 million mainly due to the recoupment of SS *Central America* project costs. A \$2.5 million decrease in accrued expenses in 2014 resulted primarily from the payment of \$1.3 million to the UK on the *Gairsoppa* project and the payment of other 2013 accruals, including the 2013 employee bonus. Other changes in working capital in 2014 included a \$2.0 million decrease in other assets including prepaid expenses and deposits on equipment, a \$0.3 million increase in inventory and a \$0.2 million increase in accounts payable.

Net cash used in operating activities in 2013 was \$19.7 million. This amount primarily reflected an operating loss of \$14.9 million and a \$4.4 million adjustment to this loss for the non-cash change in the fair value of derivative liabilities offset in part by non-cash items including interest accretion on notes payable (\$2.0 million), depreciation and amortization (\$1.9 million), share-based compensation (\$2.5 million), and debt interest settled with common stock (\$0.7 million). Other working capital related changes included an increase in accounts payable of \$1.5 million, a decrease in accrued expenses of \$8.7 million primarily relating to the Galt Resources payable of \$12.5 million at year end 2012, a decrease in accounts receivable of \$1.8 million, and an increase in other assets of \$ 2.0 million. Other assets increased primarily as a result of prepayments and deposits on equipment ordered for the ships at the end of 2013.

Cash flows used in investing activities for 2014 were \$3.0 million. The major equipment purchases in 2014 included \$1.1 million for a deep tow system, \$0.7 million for new mineral exploration equipment and \$0.7 million for the *Odyssey Explorer* which included steelwork, an umbilical cable and a control system for the ROV.

Net cash used in 2013 for investing activities amounted to \$4.5 million. This cash was used for the purchase of equipment, primarily for ship-based operations, including \$0.7 million on a 6,000 meter ROV, \$3.1 million for equipment and improvements on the mineral exploration ship (such as a new winch and a deep-sea drill), and most of the remainder on improvements and equipment on the *Odyssey Explorer* ship. Cash flow used in investing activities for 2012 of \$0.9 million primarily represented marine property and equipment purchases.

Cash flows provided by financing activities for 2014 were \$13.3 million. In 2014, we received \$10.0 million from a loan from a marketing partner (see Note K). In 2014, we also received \$7.7 million of cash advances on a new \$10.0 million credit facility with Fifth Third Bank related to recovered cargo from shipwrecks. These cash inflows were offset by repayment of debt obligations which included \$3.1 million in short term convertible notes payable reductions and an additional \$1.0 million in payments on the term loan from Fifth Third Bank. The 2013 \$10.0 million *Gairsoppa* project loan was paid off in 2014 using \$10.0 million in restricted cash held at Fifth Third Bank. The remaining cash flows used for financing activities were mortgage and financed asset payments.

Cash flows provided by financing activities for 2013 were \$35.4 million which primarily represented \$27.5 million from the sale of a 24% interest in Oceanica Resources, S. de. R.L., a Panamanian company ( Oceanica ), a majority owned subsidiary (see General Discussion under *Other Cash Flow and Equity Areas*). Oceanica is in the business of

mineral exploration and controls exclusive mining licenses for offshore mineral deposits. The licenses include areas which, based upon extensive exploration and analysis undertaken by us, are believed to feature valuable mineralized materials. Preliminary resource assessments indicate that the licenses, or concessions, which have been granted for a 50-year period to a wholly owned subsidiary of Oceanica, may prove to have significant economic and strategic value. \$10.4 million of additional cash flow was provided from the issuance of new common shares of ours, offset by the purchase 1 million shares in our subsidiary, Oceanica, for \$1.25 million and \$0.8 million repayment of debt obligations.

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### **General Discussion 2014**

At December 31, 2014, we had cash and cash equivalents of \$3.1 million, a decrease of \$18.2 million from the December 31, 2013 balance of \$21.3 million. This reduction was mainly the result of cash used in operations during 2014. The *Odyssey Explorer* began the 2014 year in port in the UK for its five-year inspection work then re-positioned to South Carolina and conducted work on the SS *Central America* shipwreck project from April through September 15, 2014 and conducted sea trials of the new DeepTow system at the beginning of the fourth quarter of 2014 prior to a transit to the UK for the annual repair and maintenance period in order to prepare for 2015 operations. We recovered a significant amount of valuable cargo from the SS *Central America* shipwreck in 2014, but we have not yet monetized any of the cargo, thus no revenues from the project or cash inflows from the project have been recognized in 2014. The long-term lease of the *Dorado Discovery* vessel came to an end in 2014 and we continued to lease the vessel on a short term basis for a few months in 2014 before deciding to terminate the lease effective August 31, 2014. Some of our equipment has remained on board the *Dorado Discovery* vessel for potential future use; however, for most of the equipment left on board the vessel, depreciation was accelerated for 2014 due to impairment.

Interest-bearing financial debt of the company was reduced by \$0.8 million in 2014, from a balance of \$22.0 million at December 31, 2013 to a balance of \$21.2 million at December 31, 2014. The \$10.0 million project loan for the *Gairsoppa* project that was entered into in July 2013 and which had a maturity date of July 24, 2014, was paid off in full in March 2014. The convertible debt notes issued in 2011 and 2012 for a total amount of \$18.0 million were fully retired in the first half of 2014. On May 7, 2014, we entered into a new \$10.0 million credit facility with Fifth Third Bank similar to the loans obtained in 2012 and 2013 for the *Gairsoppa* project (see discussion below under

Financings ). By December 31, 2014, we had received advances of \$7.7 million on this new credit facility based on recoveries of gold bars and gold \$20 coins from the SS *Central America* shipwreck. Between August and December 2014, we borrowed \$10 million on 2-year notes on a loan obtained from Monaco Financial LLC, a strategic marketing partner that is a leading coin dealer, increasing our financial debt by \$7.8 million. Additional debt reductions resulted from \$1.0 million in scheduled semi-annual payments on our Term Loan with Fifth Third, and \$0.2 million of mortgage payments.

In 2014, we continued to develop our mineral exploration activities. Our majority-owned subsidiary active in validating and developing a phosphate deposit in Mexico obtained its first NI 43-101 compliant technical reports, obtained extensions to its tenement areas, conducted numerous environmental studies, and filed its application for a Mexican environmental permit (Environmental Impact Assessment). At the end of 2014, the UK Ministry of Defence (MOD) gave us the go-ahead to commence the salvage work on the HMS *Victory* shipwreck, pending an environmental permit to be applied for from the UK Marine Management Organization. In March 2015, the MOD withdrew this permission to address issues raised in an application for Judicial Review of the original consent. The MHF has informed us they expect the MOD to promptly issue a new consent taking into account the issues raised in the Judicial Review application. An application to the UK Marine Management Organisation (MMO) was submitted in December 2014 seeking a permit for regulated activities related to the Victory Project. A decision on the application is expected late first quarter or early second quarter of 2015.

### ***Financings***

On March 11, 2015, we entered into a Stock Purchase Agreement with Minera del Norte S.A. de c.v. (MINOSA) and Penelope Mining LLC, an affiliate of MINOSA (Penelope), pursuant to which (a) MINOSA will extend short-term, debt financing to Odyssey of up to \$14.75 million, and (b) Penelope has agreed to invest up to \$101 million over three years in Series AA-1 convertible preferred stock of Odyssey. Penelope also has the right, but not the obligation, to purchase up to \$43.3 million of Series AA-2 convertible preferred stock at any time after the closing price of the Common Stock has been \$1.26 or more for 20 consecutive trading days. Penelope's right to purchase the shares of



Series AA-2 convertible preferred stock will terminate on the fifth anniversary of the initial closing under the Stock Purchase Agreement. The debt and the equity financings are subject to the satisfaction of certain conditions. Management has not yet determined the proper accounting treatment for this subsequent event. The information set forth under the heading **Item 1.01. Entry Into a Material Definitive Agreement** in the Current Report on Form 8-K that we filed with the SEC on March 11, 2015 (Commission File No. Number 001-31895) is incorporated herein by reference.

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On May 7, 2014, we entered into a \$10.0 million credit facility with Fifth Third bank similar to the loans obtained in 2012 and 2013 for the *Gairsoppa* project. The loan is not tied to any specific shipwreck project. The bank will advance funds based upon our recovery of valuable cargo from shipwrecks over the coming twelve months. The advances will be pre-defined amounts or percentages of the value of the recovered cargo. The proceeds from our shipwreck recovery contracts or from our sales of recovered cargo will be used to repay the new loan, as was done for the previous *Gairsoppa* loans. The interest rate on the new loan is a floating rate equal to the one month LIBOR rate plus 500 basis points. An origination fee of \$50,000 was payable at closing. A restricted cash deposit of \$500,000 is required to cover interest payments when the term loan is advanced. By December 31, 2014, we had received advances of \$7.7 million on this new credit facility based on recoveries of gold bars and gold \$20 coins from the *SS Central America* shipwreck.

In 2013, we amended our \$5 million term loan with Fifth Third Bank (the Bank) so that the maturity date was extended from July 11, 2013 to July 11, 2016. In January and July 2014 we made required semi-annual principal payments of \$500,000 reducing the outstanding principal balance to \$4.0 million. The facility bears floating interest at the one-month LIBOR rate according to the Wall Street Journal plus 500 basis points. Any prepayments made in full or in part are without premium or penalty. No restricted cash payments will need to be kept on deposit. The term loan is still secured by approximately 24,700 numismatic coins recovered by the Company from the *SS Republic* shipwreck, which amount will be reduced over the term by the amount of coins sold by the Company. The coins used as collateral are held by a custodian for the security of the Bank. The borrowing base is equal to forty percent (40%) of the eligible coin inventory valued on a rolling twelve month wholesale average value. The Company is required to comply with a number of customary covenants.

On August 14, 2014, we entered into a loan agreement with Monaco Financial LLC, a strategic marketing partner, that provides for loans of up to an aggregate amount of \$10.0 million. At closing, we borrowed \$5.0 million and on October 1 and December 1, 2014 respectively, we received the second and third Tranches of \$2,500,000 each on this loan facility. Each tranche is the subject of separate note payable. Advances under the loan agreement bear interest at a rate of 8.0% for the first year and 11.0% thereafter. The credit facility provides for monthly payments of interest only, with the principal amount and all accrued interest due and payable in 2016 at the 2 year anniversary of each Note. As further consideration for the credit facility, we agreed to assign to the lender 100,000 shares Odyssey owns in Oceanica and granted the lender the right to convert the outstanding loan balance into shares of Oceanica or to purchase additional shares of Oceanica Resources from Odyssey if the loan is repaid. Odyssey's obligations under the credit facility are secured by specified assets, including a portion of Odyssey's shares in Oceanica. Our obligation to repay the principal and accrued interest may be accelerated at the option of the lender if an event of default, as specified in the loan agreement, occurs. We may prepay the outstanding loan balance before the maturity date (See NOTE K).

On July 11, 2008, we entered into a mortgage loan with Fifth Third Bank. Pursuant to the Loan Agreement, we borrowed \$2,580,000. The loan bears interest at a variable rate equal to the prime rate plus three-fourths of one percent (0.75%) per annum. The loan had an initial maturity date of July 11, 2013, and requires monthly principal payments in the amount of \$10,750 plus accrued interest. This loan is secured by a restricted cash balance as well as a first mortgage on our corporate office building. This loan contains customary representations and warranties, affirmative and negative covenants, conditions, and other provisions. In July 2013 when the above noted mortgage was scheduled to mature, we extended it on substantially the same terms that previously existed. The new maturity date is July 2016. As of September 30, 2014, the loan balance outstanding was \$1.2 million.

During May 2008, we entered into a mortgage loan in the principal amount of \$679,000 with The Bank of Tampa to purchase our conservation lab and storage facility. This obligation has a monthly payment of \$5,080 with a maturity date of May 14, 2015. Principal and interest payments are payable monthly. Interest is at a fixed annual rate of 6.45%.

This debt is secured by the related mortgaged real property. As of December 31, 2014, the loan balance outstanding was \$0.5 million. This building was sold in February 2015 for \$0.85 million and the corresponding mortgage loan balance of \$0.5 million was fully repaid.

**Table of Contents****Going Concern Consideration**

We have experienced several years of net losses and may continue to do so. Our capacity to generate net income or positive cash flows for the remainder of 2015 or the following twelve months is dependent upon our success in recovering and monetizing shipwrecks, monetizing our interests in mineral exploration entities and recovered cargo, generating income from shipwreck or mineral exploration charters, collecting on amounts owed to us, and on generating income from other project or asset based financing. We can offer no assurance any of our planned projects will be successful in providing additional cash during 2015. We have been the target of repeated attacks by third parties seeking to drive down our stock price. These attacks are primarily organized by certain short sellers seeking to distort the truth and thereby profit from the decline of our company's share price (short and distort). These attacks have taken the form of public false statements, misrepresentations, and scare tactics in unregulated internet media channels, but have also taken the form of both direct and indirect attempts to disrupt our business by seeking to negatively influence our business partners and business ventures. These attacks have had a consequence on the company's share price, on our various business deals, and on our ability to secure certain financing alternatives. We received a letter from NASDAQ on March 9, 2015 stating that the Company's closing bid price on the NASDAQ Capital Market had not achieved the minimum bid price of \$1.00 for 30 consecutive business days and that the company now has 180 calendar days to cure the situation. The company may be eligible for more than 180 days to cure the situation, but if the situation is not cured then the Company's shares could be delisted from the exchange. Our 2015 business plan requires us to generate new cash inflows during 2015 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of shipwreck cargo and/or our equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned shipwreck or mining project monetizations, financings, syndications or partnership opportunities may not be realized to the extent needed which may require us to curtail our desired business plan until we generate additional cash. On March 11, 2015, we entered into a Stock Purchase Agreement with Minera del Norte S.A. de c.v. (MINOSA) and Penelope Mining LLC, an affiliate of MINOSA (Penelope), pursuant to which (a) MINOSA will extend short-term, debt financing to Odyssey of up to \$14.75 million, and (b) Penelope has agreed to invest up to \$101 million over three years in convertible preferred stock of Odyssey. The debt and the equity financings are subject to the satisfaction of certain conditions, including the approval of our stockholders. (See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - General Discussion 2014 - Financings.) If our stockholders do not approve the transaction, we will likely have to seek debt or equity financing from other sources to allow us to continue as a going concern. If cash inflow is not sufficient to meet our desired projected business plan requirements, we will be required to follow our contingency business plan which is based on curtailed expenses and requires less cash inflows. Our consolidated non-restricted cash balance at December 31, 2014 was \$3.1 million which is insufficient to support operations through the end of 2015. We have a working capital deficit at December 31, 2014 of \$7.6 million. We have a bank loan of \$7.7 million that matures in 2015. Even though our total assets are \$25.1 million, the majority of these assets are secured as collateral against our loans and the related fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangement, we must wait for shareholder approval to fully consummate the equity component of the transaction. Therefore, the factors noted above raise doubt about our ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

***2013 Compared to 2012***

<b>Increase/(Decrease) (Dollars in millions)</b>	<b>2013</b>	<b>2012</b>	<b>2013 vs. 2012</b>	
			<b>\$</b>	<b>%</b>

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Recovered cargo sales and other	\$ 23.7	\$ 8.0	\$ 15.6	195%
Exhibit	0.1	0.2	(0.1)	(50)
Expedition	0.1	4.9	(4.8)	(97)
Total revenue	\$ 23.9	\$ 13.2	\$ 10.7	81%
Cost of sales	\$ 0.7	\$ 0.2	\$ 0.5	195%
Marketing, general and administrative	14.2	10.6	3.6	34
Operations and research	26.0	17.9	8.1	45
Total operating expenses	\$ 40.9	\$ 28.8	\$ 12.1	42%
Other income (expense)	\$ 2.6	\$ (2.6)	\$ 5.2	200%
Income tax benefit (provision)	\$ (0.5)	\$ 0.0	\$ (0.5)	(100%)
Non-controlling interest	\$ 4.1	\$ 0.0	\$ 4.1	100%
Net income (loss)	\$(10.7)	\$(18.2)	\$ 7.4	41%

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**Table of Contents****Revenue**

The increase in recovered cargo and other sales of \$15.6 million (from \$8.0 million in 2012 to \$23.7 million in 2013) was primarily due to an increase in revenue recognized from the *Gairsoppa* project. In 2012, \$3.9 million of revenue was recognized from the *Gairsoppa* project whereas \$20.8 million of revenue was recognized in 2013 from this same project (\$16.7 million of which was in the fourth quarter of 2013). Although the monetary value of the silver recovered from the *Gairsoppa* project was larger in 2012 than in 2013, the impact to the revenues was greater in 2013 due to the following reasons: (i) \$17.8 million of proceeds from the *Gairsoppa* project were credited against expenses in 2012 as compared to \$9.2 million in 2013 (see discussion below on expenses), (ii) \$15 million of the *Gairsoppa* project proceeds from 2012 were allocated and paid to Galt Resources LLC as part of a project financing arrangement whereas no further such payments were needed to be made to Galt from the silver recovered in 2013.

During 2012 and 2013, the *Gairsoppa* project generated additional cash inflows that were not recognized as revenues. In 2013, \$9.2 million from the *Gairsoppa* project was credited to operating expenses and in 2012 \$17.8 million was credited to operating expenses.

The decrease in expedition charter revenue in 2013 of \$4.8 million results from the fact that our mineral exploration ship and team was dedicated in 2013 to work on projects for entities controlled by Odyssey for which inter-company revenues are not shown on a consolidated basis. The expedition charter revenue of \$4.9 million in 2012 was primarily associated with a subsea mineral mining charter with Chatham Rock Phosphates off the coast of New Zealand (\$4.0 million) and \$.7 million of additional work on two Robert Fraser shipwreck projects in the fourth quarter ( *Stanton A* and *Enigma* ).

**Cost and Expenses**

Marketing, general and administrative expenses were \$14.2 million in 2013 as compared to \$10.6 million in 2012. The increase of \$3.6 million primarily represented an increase in our professional fees to pay \$1.1 million to the Spanish government for the *Black Swan* case, an increase in share-based compensation and other personnel costs of \$1.6 million, and \$0.5 million increase in the provision for doubtful accounts.

Operations and research expenses were \$26.0 million in 2013 as compared to \$17.9 million in 2012. The increase in operating and research expenses of \$8.1 million primarily represented a smaller recoupment of *Gairsoppa* total project search and recovery costs of \$9.2 million in 2013 as compared to \$17.8 million (\$.1 million of which was included in Marketing, general and administrative expenses). This cost recoupment or credit to expenses resulted from the *Gairsoppa* project contract terms with the UK Department for Transport that provided for Odyssey to recoup its project costs from the monetization of recovered cargo. Excluding the amounts credited to operating expenses in 2012 and 2013 from the *Gairsoppa* project, total Operations and research expenses decreased by \$0.4 million from 2012 to 2013, or a change of 1%.

**Other Income or Expense**

Other income and expense generally consists of interest income on investments offset by interest expense on our bank term and other mortgage loans and convertible notes. Beginning in the fourth quarter 2009, it also included the income or loss from our equity investment in subsea mineral mining companies which have since been written down to zero. It also includes the change in fair value of the derivatives related to our issuance of Series G convertible preferred stock and senior convertible notes. In 2013, Odyssey had a net other income result of \$2.6 million. This was comprised of a positive amount of \$4.4 million from the change in the fair value of derivative liabilities (\$1.4 million related to the change in the stock price volatility, \$1.6 million related to the redemption of certain outstanding

instruments, \$0.5 million related to the change in the volatility of certain instruments, and \$0.9 million of other changes), a gain of \$1.2 million on hedging instruments linked to silver prices in 2013, and \$0.6 million in other miscellaneous income, offset by an interest expense of \$3.5 million. Interest expense decreased by \$2.7 million from 2012 to 2013 primarily as a result of a reduction in the higher interest debt obligations, such as the convertible notes. The net other expense balance for 2012 of \$1.7 million was related to an unfavorable impact on the fair value of the derivative financial instruments (\$1.3 million, see NOTE R), a favorable impact of \$4.7 million on the loss on equity investment since the investment had been written down to zero in 2011 and an unfavorable interest expense variance of \$5.1 million which primarily related to the interest accretion on the senior convertible note payable (\$3.5 million), interest on the convertible note (\$1.0 million), derivative-related interest (\$.2 million), amortization of financing costs (\$.2 million) and other interest (\$.2 million). Of the total 2012 interest expense of \$6.3 million, only \$1.7 million represented cash payments for interest and financing costs.

**Table of Contents****Income Taxes and Non-Controlling Interest**

We made a tax provision for income taxes in 2013 of \$0.5 million but we made no provision in 2012. In 2014, we sought a Private Letter Ruling from the Internal Revenue Service to reverse the 2013 tax provision amount, which was accepted. Due to the uncertainty surrounding the realization of deferred tax assets resulting from operating loss carryforwards, we recorded a full valuation allowance of \$51.6 million against the deferred tax assets as of December 31, 2013, compared to \$57.9 million as of December 31, 2012. As required by the Accounting for Income Taxes topic in the Accounting Standards Codification ( ASC ), we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery of high-value shipwrecks, income from mineral mining operations or sales of equity interests in other companies and thus a valuation allowance has been recorded as of December 31, 2013. We anticipate that we may continue to incur net losses in 2014 pending any shipwreck cargo recoveries that could be quickly monetized. We will continue to reassess the need for a valuation allowance during each future reporting period.

In 2013, we became the controlling shareholder of Oceanica. Our financial statements thus include the financial results of Oceanica. Except for intercompany transactions that are eliminated upon consolidation, Oceanica's revenues and expenses, in their entirety, are shown in our consolidated financial statements. The share of Oceanica's net losses corresponding to the equity of Oceanica not owned by us is subsequently shown as the Non-Controlling Interest in the consolidated statements of operations. The non-controlling interest adjustment in 2013 was \$4.1 million.

**Liquidity and Capital Resources**

<b>(Dollars in thousands)</b>	<b>2013</b>	<b>2012</b>
<b>Summary of Cash Flows:</b>		
Net cash (used) by operating activities	\$ (19,658)	\$ (6,876)
Net cash (used) by investing activities	(4,505)	(946)
Net cash provided by financing activities	35,388	9,947
Net increase in cash and cash equivalents	\$ 11,226	\$ 2,125
Beginning cash and cash equivalents	10,096	7,972
Ending cash and cash equivalents	\$ 21,322	\$ 10,096

**Discussion of Cash Flows**

Net cash used in operating activities in 2013 was \$19.7 million. This amount primarily reflected an operating loss of \$14.9 million and a \$4.4 million adjustment to this loss for the non-cash change in the fair value of derivative liabilities offset in part by non-cash items including interest accretion on notes payable (\$2.0 million), depreciation and amortization (\$1.9 million), share-based compensation (\$2.5 million), and debt interest settled with common stock (\$0.7 million). Other working capital related changes included an increase in accounts payable of \$1.5 million, a decrease in accrued expenses of \$8.7 million primarily relating to the Galt Resources payable of \$12.5 million at year end 2012, a decrease in accounts receivable of \$1.8 million, and an increase in other assets of \$ 2.0 million. Other assets increased primarily as a result of prepayments and deposits on equipment ordered for the ships at the end of 2013.



Net cash flow used in operating activities in 2012 was \$6.9 million. This amount primarily reflected an operating loss of \$18.2 million offset in part by non-cash items including interest accretion on notes payable (\$4.1 million), depreciation and amortization (\$1.6 million), share-based compensation (\$1.5 million), favorable change in fair value of derivatives liabilities primarily due to redemption of Series G preferred stock (\$3.6 million), and financing charge amortization and debt interest settled with common stock on notes payable (\$.8 million). Other working capital related changes included an increase in accounts payable and accrued expenses of \$13.0 million primarily relating to the Galt Resources payable of \$12.5 million at year end, an increase in accounts receivable of \$1.6 million of which \$1.4 million relates to *Gairsoppa* silver proceeds received in February 2013, and an decrease in deferred revenue of \$4.5 million primarily representing recognition of deferred income from revenue participation rights on the Galt Resources, LLC investment of \$3.8 million. The outstanding deferred revenue balance of \$2.8 million represents work to be completed on the *Stanton A* and *Enigma* projects. The decrease from \$3.5 million represents work completed during the fourth quarter 2012.

Net cash used in 2013 for investing activities amounted to \$4.5 million. This cash was used for the purchase of equipment, primarily for ship-based operations, including \$.7 million on a 6,000 meter ROV, \$3.1 million for equipment and

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improvements on the mineral exploration ship (such as a new winch and a deep-sea drill), and most of the remainder on improvements and equipment on the Odyssey Explorer ship. Cash flow used in investing activities for 2012 of \$0.9 million primarily represented marine property and equipment purchases.

Net cash provided in 2013 by financing activities amounted to \$35.8 million. \$27.5 million came from the sale of shares of Oceanica to Mako Resources, LLC, a financial investor group. In June 2013, we purchased 1 million shares in our subsidiary, Oceanica, for \$1.25 million. The issuance of new common shares of ours generated cash inflows of \$10.4 million.

Cash flow provided by financing activities for 2012 was \$9.8 million. In addition to the \$0.9 million received from the issuance of common stock, we received \$20.0 million from loans including \$8.0 million additional proceeds from the second tranche of the Senior Convertible Note, \$2.0 million proceeds from the additional term loan with Fifth Third Bank in March 2012 and \$10.0 million from the *Gairsoppa* project financing from Fifth Third Bank in July 2012. We repaid the \$10.0 million *Gairsoppa* project financing in October 2012 as well as \$0.7 million of debt obligations including mortgage and loans payable of \$0.2 million and \$0.5 million of marine equipment financing. We also incurred \$0.4 million of brokerage commissions on the second tranche of the Senior Convertible Note.

## **General Discussion 2013**

At December 31, 2013, we had cash and cash equivalents of \$21.3 million, an increase of \$11.2 million from the December 31, 2012 balance of \$10.1 million. This increase resulted primarily from (i) the recovery and monetization of silver from the *Gairsoppa* shipwreck and (ii) the sale of a minority stake in a mineral exploration subsidiary of the Company. The total financial debt increased from \$18.8 million at December 31, 2012 to \$22.0 million at December 31, 2013. The outstanding convertible debt was reduced from \$11.9 million to \$5.2 million. A \$10 million project loan was entered into in July 2013 that bears interest at one-month Libor plus 5% and matures on July 24, 2014. Also used as collateral for this loan is \$10 million in restricted cash from silver monetized from the *Gairsoppa* project during the fourth quarter of 2013.

During 2013, the *Dorado Discovery* vessel primarily worked on a mineral exploration project for Oceanica. Oceanica is wholly owned subsidiary, ExO, holds mining exploration rights to certain sea-based mineral deposits. The results of the core drilling and environmental studies collected by the vessel were sent to independent labs for further analysis and testing. In three equity transactions in 2013 and in exchange for \$27.5 million, Odyssey sold 31% of its equity stake in Oceanica to Mako Resources, LLC, an independent financial investor group. ExO is still in the exploratory phase and has not yet received all of the permits to enable the start of commercial operations. As a result and pursuant to SEC Industry Guide 7, no details on the mineral deposits have been included in the filings of Odyssey. The accounts of Oceanica and its subsidiary are consolidated with those of Odyssey and as a result all intercompany transactions are eliminated in the consolidated financial statements.

Odyssey performed a first recovery of silver from the *Gairsoppa* shipwreck in 2012. From the proceeds of the silver recovered in 2012, an amount of \$12.5 million was paid to Galt Resources, LLC in 2013. A second recovery was accomplished in 2013 yielding approximately 1.8 million ounces of silver. The monetization of the silver recovered in the 2013 expedition generated cash inflows of over \$35 million to Odyssey. From this amount, \$5.2 million was paid to the United Kingdom government, \$9.2 million was credited against operating expenses, and \$20.8 million was recognized as revenue (\$16.7 million of this revenue was recognized in the fourth quarter). The favorable income statement impact was \$30.0 million from the *Gairsoppa* project in 2013.

In January 2013, we entered into a letter agreement with the Senior Convertible Note investor agreeing to defer until March 1, 2013, the installment payments that would have been otherwise due on January 1, 2013 and February 1,

2013. The investor had previously agreed to defer the December installment payments therefore making the total amount of payments deferred approximately \$2.4 million. Also, the Additional Note conversion price was amended from \$3.74 to \$3.17. The remaining principal balance at December 31, 2013 for the Additional Note was \$4.1 million.

During January 2013, investors exercised \$2.25 warrants which would have expired on January 31, 2013 in the amount of over \$4.5 million.

***Financings***

In 2013, we amended our \$5 million term loan with Fifth Third Bank (the Bank ) so that the maturity date was extended from July 11, 2013 to July 11, 2016. Beginning in January 2014, we are required to make semi-annual principal

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payments of \$500,000. The facility bears floating interest at the one-month LIBOR rate according to the Wall Street Journal plus 500 basis points. Any prepayments made in full or in part are without premium or penalty. No restricted cash payments will need to be kept on deposit. The term loan is still secured by approximately 25,000 numismatic coins recovered by the Company from the SS *Republic* shipwreck, which amount will be reduced over the term by the amount of coins sold by the Company. The coins used as collateral are held by a custodian for the security of the Bank. The borrowing base is equal to forty percent (40%) of the eligible coin inventory valued on a rolling twelve month wholesale average value. The Company is required to comply with a number of customary covenants.

In July 2013, we entered into a project term loan agreement with Fifth Third Bank that provided a credit facility of up to \$10.0 million. The term loan bears interest at a floating rate equal to the one month LIBOR rate plus 500 basis points. An origination fee of \$50,000 was payable at closing. A restricted cash deposit of \$500,000 was required to cover interest payments when the term loan was advanced. The term loan is secured by silver recovered and monetized from the SS *Gairsoppa*. The proceeds of the credit facility were used to fund the project recovery costs. The company took a \$10 million draw against the facility in July 2013. Also used as collateral for this loan is \$10 million in restricted cash from silver monetized from the *Gairsoppa* project during the fourth quarter of 2013.

On July 11, 2008, we entered into a mortgage loan with Fifth Third Bank. Pursuant to the Loan Agreement, we borrowed \$2,580,000. The loan bears interest at a variable rate equal to the prime rate plus three-fourths of one percent (0.75%) per annum. The loan had an initial maturity date of July 11, 2013, and requires monthly principal payments in the amount of \$10,750 plus accrued interest. This loan is secured by a restricted cash balance as well as a first mortgage on our corporate office building. This loan contains customary representations and warranties, affirmative and negative covenants, conditions, and other provisions. In July 2013 when the above noted mortgage was scheduled to mature, we extended it on substantially the same terms that previously existed. The new maturity date is July 2016. As of December 31, 2013, the loan balance outstanding was \$1.3 million.

## **Off Balance Sheet Arrangements**

We do not engage in off-balance sheet financing arrangements. In particular, we do not have any interest in so-called limited purpose entities, which include special purpose entities (SPEs) and structured finance entities.

## **Indemnification Provisions**

Under our bylaws and certain consulting agreements, we have agreed to indemnify our officers and directors for certain events arising as a result of the officer's or director's serving in such capacity. Separate agreements may provide indemnification after term of service. The term of the indemnification agreement is as long as the officer or director remains in the employment of the company. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, our director and officer liability insurance policy limits its exposure and enables us to recover a portion of any future amounts paid. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal and no liabilities are recorded for these agreements as of December 31, 2014.

## **Critical Accounting Estimates**

The discussion and analysis of our financial position and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect our financial position and results of operations. See NOTE A to the Consolidated Financial Statements for a description of our significant accounting policies. Critical accounting estimates are defined as those that are reflective of significant judgment and uncertainties,

and potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting estimates. We have discussed the development, selection and disclosure of these policies with our audit committee.

***Long-Lived Assets***

As of December 31, 2014, we had approximately \$7.2 million of property and equipment and related assets. Our policy is to recognize impairment losses relating to long-lived assets in accordance with the ASC topic for Property, Plant and Equipment. Impairment decisions are based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows.

**Table of Contents*****Realizability of Deferred Tax Assets***

We have recorded a net deferred tax asset of \$0 at December 31, 2014. As required by the Accounting for Income Taxes topic in the ASC, we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery and rights of ownership or salvage rights of high value shipwrecks or the monetization of our mineral exploration stakes and thus a valuation allowance of \$60.3 million has been recorded as of December 31, 2014.

***Artifact Inventory***

The value of recovered artifacts in inventory includes the costs of recovery and conservation. The capitalized costs include direct costs of recovery such as vessel and related equipment operations and maintenance, crew and technical labor, fuel, provisions, supplies, port fees, depreciation and may even include fees paid to an insurer to relinquish the insurer's claim to the recovered artifacts. Conservation costs include fees paid to conservators for cleaning and preserving the artifacts. We continually monitor the recorded aggregate costs of the artifacts in inventory to ensure these costs do not exceed the net realizable value. We use historical sales, publications or available public market data to assess market value.

***Allowance for Doubtful Accounts***

In determining the collectability of our accounts receivable, we need to make certain assumptions and estimates. Specifically, we may examine accounts and assess the likelihood of collection of particular accounts.

***Derivative Financial Instruments***

In evaluating fair value of derivative financial instruments, there are numerous assumptions which management must make that may influence the valuation of the derivatives as included in the financial statements.

**Contractual Obligations**

At December 31, 2014, the Company's contractual obligations including estimated payments due by period are as follows:

(Dollars in thousands)	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Contractual Obligations</b>					
Long-term obligations	\$ 15,660	\$ 1,670	\$ 13,990	\$	\$
Interest on long-term obligations	1,965	1,140	825		
<b>Total contractual obligations</b>	<b>\$ 17,625</b>	<b>\$ 2,810</b>	<b>\$ 14,815</b>	<b>\$</b>	<b>\$</b>

Long-term obligations represent the amount due on our existing mortgages and convertible note as described above. With the cessation of the Dorado Discovery lease in September 2014, operating lease obligations have been eliminated.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. We do not believe we have material market risk exposure and have not entered into any market risk sensitive instruments to mitigate these risks or for trading or speculative purposes.

Our term loan and projec