

ODYSSEY MARINE EXPLORATION INC
Form 10-K
March 30, 2016
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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, 2015

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:

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

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

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 7.1 million shares of voting stock held by non-affiliates of Odyssey Marine Exploration, Inc. as of June 30, 2015 was approximately \$40.0 million. As of February 25, 2016, the Registrant had 7,541,111 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 7, 2016.

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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 and in our RISK FACTORS in Item 1A and elsewhere in this report. 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 unless otherwise specifically indicated.

All information in this Annual Report on Form 10-K has been retroactively adjusted to give effect to a 1-for-12 reverse stock split that was effective on February 29, 2016 or otherwise, except as required by law.

ITEM 1. BUSINESS

Overview

Odyssey Marine Exploration, Inc. is a world leader in deep-ocean exploration. Our innovative techniques are currently applied to mineral exploration, shipwreck cargo recovery and other marine survey and exploration charter services.

We have extensive experience discovering shipwreck sites in the deep ocean and conducting archaeological excavations with remotely operated vehicles (ROVs). Our historic shipwreck discoveries include the SS *Republic*, HMS *Victory*, *Black Swan*, *La Marquise de Tourny*, and many other unidentified shipwrecks. We have 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 for 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 on our own behalf. Via our majority stake in Oceanica Resources S. de R.L. (Oceanica), a Panamanian company, we control Exploraciones Oceanicas, S. De R.L. De C.V. (ExO), a Mexican company that has exclusive mining permits for an area (known as the Don Diego deposit) that contains large amounts of mineralized phosphate material. We performed all the off-shore exploration to find and validate the mineralized phosphate deposit and are managing the environmental studies and environmental permit application process. The deposit is one of the largest to be identified and is expected to be important to the regional and international fertilizer markets. The Don Diego deposit is currently our main mineral project. In order to move to the next phase of development of the deposit, Odyssey and its subsidiaries need to obtain approval of its environmental permit application (EIA). A decision on this application is expected in the course of

2016.

Deep-Ocean Mineral Exploration

We have leveraged the expertise of our team of some of the industry's most experienced ocean explorers and geologists, along with our extensive array of advanced deep-ocean technology, for cost efficient exploration and assessment of seabed mineralized material.

Utilizing the chartered RV *Dorado Discovery* or similar ships with our customized and specialized equipment, our team has the ability to perform precision geophysical and geotechnical surveys, detailed mapping, sampling, environmental assessments and resource evaluations. While we discontinued the long-term lease of the RV *Dorado Discovery* vessel in 2014, we still own and maintain equipment on board the vessel and may re-charter the vessel for future projects.

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We offer exploration services including geophysical and geotechnical assessments of seabed mineral deposits to companies, including our subsidiaries and companies in which we hold an equity position, as a resource development partner. When performing mineral exploration services, we may receive payments in the form of cash, equity interests in the contracting company, or financial interests in the tenement.

There are three economically significant types of 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).

Deep-Ocean Shipwreck Exploration

For many years, we conducted shipwreck search and cargo recovery work on our own behalf and under contract to third parties. During the past 20 years, we amassed a large private database and research library of target shipwrecks, developed and acquired proprietary deep-ocean equipment and tools, and built a team of knowledgeable experts to execute off-shore projects. On December 10, 2015, we sold the shipwreck database and research library to Magellan Offshore Services, Ltd. (Magellan), while still retaining our vessel, equipment, tools, and specialized offshore team members. As part of the Acquisition Agreement with Monaco Financial, LLC., Magellan agreed to exclusively hire us on a cost plus basis for any shipwreck search and recovery projects conducted in the next five years. We agreed not to pursue the shipwrecks included in the data base sold to Magellan. Magellan will also pay 21.25% of the net proceeds from any monetization of recovered cargo to us. As part of the Acquisition Agreement, four pre-existing projects including the HMS *Victory* 1744 and HMS *Sussex* were retained by us. Magellan may participate in funding the recovery costs of these projects in the future, and will have the right to receive up to 50% of our net proceeds, if any.

Shipwreck search operations typically begin with a side-scan sonar survey of a 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 that 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 (identifiable artifacts are apparent on the site) or not - (geology, modern debris). 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. 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

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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, our 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, removal of deck plates or ship's structure may be necessary to obtain access to the cargo to be salvaged.

We have extensive experience in other phases of the shipwreck discovery business, such as conservation, documentation and exhibit of rare artifacts and publication of archaeological excavation. We will continue to conduct these services for the four projects that we have retained. We expect to conduct these services under contract to Magellan or its affiliates for their projects.

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 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.

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 (known as the Don Diego deposit). Phosphate is a key ingredient of fertilizers. In March 2014, Odyssey completed a first NI 43-101 compliant report on the deposit and periodically updates this report. The Don Diego deposit is currently our main mineral project and is important to Odyssey's future. Odyssey believes that the Don Diego deposit contains a large amount of high-grade phosphate rock that can be extracted on a financially attractive basis (essentially a dredging operation) and that the product will be attractive to Mexican and other world producers of fertilizers.

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 and the AHMSA group of companies on the strategic growth alternatives.

ExO applied for and was 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. ExO also relinquished certain parts of the granted concession areas where the mineral concentration levels were less attractive for mining purposes.

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 to the questions 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 June 2015, ExO withdrew its Environmental Impact Assessment (EIA) application to allow additional time for review and regional briefings. The EIA was re-submitted in June 2015 and additional information was filed in August 2015. A public hearing on this application was conducted by SEMARNAT on October 8, 2015, additional questions were received from SEMARNAT in November 2015, and ExO s responses to the questions were filed and stamped confirming receipt by SEMARNAT on December 3, 2015. In order to move to the next phase of development of the deposit, Odyssey and its subsidiaries need the approval of this environmental permit application. A decision on this application is expected in the course of 2016.

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Enterprise 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 \$15.0 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, Enterprise 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 2014 and 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. In August 2014, we entered into a 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). This loan was amended on December 10, 2015, extending the maturity date of the loan to December 31, 2017 and allowing Monaco to retain the call option on the \$10 million worth of Oceanica shares held by Odyssey until December 31, 2017. In March 2015, Odyssey entered into a loan arrangement with Minera del Norte, S.A. de C.V. (MINOSA) whereby Odyssey pledged all of its shares in Oceanica as collateral for a \$14.75 million loan from MINOSA. The MINOSA loan has been amended several times and recently had a maturity date of March 30, 2016. The maturity date is now March 18, 2017, see NOTE U for further information.

Shipwreck Exploration Projects

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* (SSCA) shipwreck located approximately 160 miles off the coast of South Carolina.

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 District 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. 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.

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On December 10, 2015, Odyssey sold all of its financial interests in the SSCA project to Monaco Financial, LLC and its affiliates (See NOTE S). As a result, at December 31, 2015, Odyssey no longer carries a receivable on its books for the SSCA project and will not receive any further proceeds from the eventual monetization of the cargo that was recovered in 2014. All other contractual terms and conditions of the March 2014 agreement between Odyssey and RLP remain in place.

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.

The MHF is awaiting the go-ahead from the UK government to begin archaeological recovery of at-risk artifacts from the HMS *Victory* shipwreck site. On December 10, 2015, Odyssey gave Monaco Financial, LLC and its affiliates (Monaco) the right to purchase the ability to participate in up to 50% of the economic benefits, if any, of the HMS *Victory* project (See NOTE S).

***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. Odyssey recovered cargo from this shipwreck in 2012 and 2013 and monetized most of the cargo in those years and through the start of 2014. 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. 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*.

Other Projects

In the fourth quarter of 2015, Odyssey was contracted by a third party to recover cargo from a shipwreck located in the Mediterranean sea. Odyssey recognized \$3.0 million of revenue in 2015 for these services. The recovered cargo is the property of the contracting party.

Odyssey offers its marine exploration services to third party companies. This may be for mineral exploration, environmental studies, shipwreck search and recovery, subsea surveys, and other off-shore work requiring specialized vessels, equipment and personnel.

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.

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 works to comply with verifiable applicable regulations and treaties.

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. 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.

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Competition

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. For offshore mineral exploration, there are providers of vessels and equipment that could be competitors or partners for certain projects. These include companies such as Fugro NV and Royal Boskalis Westminster NV.

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 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, 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, 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. 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, 2016 are listed below.

Mark D. Gordon (age 55) 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 49) 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, as a management consultant at McKinsey & Company and as an auditor at Deloitte & Touche.

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Jay A. Nudi, CPA (age 52) 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 53) 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. She was appointed Corporate Secretary in June 2015. 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).

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John D. Longley, Jr. (age 49) 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, 2015, we had 22 full-time employees, most working from our corporate offices in Tampa, Florida. Additionally, we contract with companies to operate our vessels and with specialized 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 (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. The quality and reliability of research and data obtained could be 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. Starting on December 10, 2015, future work by us on shipwreck projects will be done as a contractor to another party. This will limit the upside for us on such projects. The contracting party may encounter many of the same risks listed above with respect to

obtaining permits, retaining ownership of any recovered cargo, and monetizing the cargo. As a contractor, we are also dependent on the contracting party's ability to commence the project in a timely manner and to pay our invoices.

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 or the contracting party has 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. Prior to conducting off-shore exploration, we typically conduct on-shore research. There is no guarantee that the models and research conducted on-shore will be representative of actual results on the seafloor. Off-shore exploration typically requires significant expenditures, with no guarantee that the results will be useful or financially rewarding.

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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 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 or our client may not 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 may not receive our share of anticipated proceeds although we would still be paid for our work when conducting operations for a client. 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. 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 valuable items recovered cannot be guaranteed. Delays in the disposition of such items could adversely affect our profit participation in the projects or 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. In many countries, the legislation covering ocean exploration lacks clarity. As a result, when we are conducting projects in certain areas of the world on its own behalf or on the behalf of a contracting party, we may be subjected to unexpected delays, requests, and outcomes as it works with local governments to define and obtain the necessary permits and to assert its

claims over assets on the seafloor bottom. Our vessel, equipment, personnel and or cargo could be seized or detained by government authorities. We may have to work with different units of a government and there may be a change of government representatives over time. This may result in unexpected changes or interpretations in government contracts and legislation.

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Objects we recover could be stolen from us.

If we locate a shipwreck and assert a valid claim to items of value on our behalf or other behalf of a contracting party, 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.

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 or sell certain 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. In December 2015, we sold our shipwreck related assets in an agreement which will limit our up-side on certain future shipwrecks and limit our ability to conduct new shipwreck projects. In March 2015, we entered into various agreements with a strategic investor. These March 2015 arrangements may have a material impact on our future operations and strategic alternative options.

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 \$19.0 million in 2015, \$26.5 million in 2014 and \$10.7 million in 2013. 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.

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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. Marine services provided the majority of our revenue in 2015, but did not provide any 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.

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 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.

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We could be delisted from the NASDAQ Capital Market.

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. Our stock 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 were unable to cure this situation in the course of 2015 and the Nasdaq Hearings Panel gave us until March 7, 2016 to cure the situation. On February 19, 2016, Odyssey implemented a 1-for-12 reverse stock split to raise the market price per share. As of March 7, 2016 we regained compliance with NASDAQ's minimum bid requirement.

Another requirement for continued listing on the NASDAQ Capital Market is to maintain our market capitalization above \$35 million. On December 29, 2015, we were notified that we had failed to satisfy the minimum \$35 million market value of listed securities for the previous 30 consecutive trading days. NASDAQ granted the Company a 180-day period within which to regain compliance with the market capitalization requirement, through June 27, 2016. In order to achieve compliance, the Company must evidence a market value of listed securities of at least \$35 million for a minimum of ten consecutive business days. As of March 18, 2016, we regained compliance with NASDAQ's minimum market capitalization requirement.

Failure by the company to maintain compliance with or regain compliance with the above-mentioned and other NASDAQ continued listing requirements may lead to the de-listing of the company from the NASDAQ Capital Market. 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. 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.

Our insurance coverage may be inadequate to cover all of our business risks.

Although we seek to obtain insurance for some of our main operational risks, there is no guarantee that the insurance policies that we have are sufficient, that they will be in place when needed, that we will be able to obtain insurance coverage when desired, that insurance will be available on commercially attractive terms, or that we will be able to anticipate the risks that need to be insured. For example, although we may be able to obtain War Risk coverage for a project at a specific date and location, such insurance may be unavailable at other times and locations. Although we may be able to insure the vessel and equipment for certain risks such as certain possible loss or damage scenarios, we may lack insurance to cover against government seizure or detention of our vessel and equipment. Permanent loss or temporary loss of our vessel and equipment and the associated business interruption without commensurate compensation from an insurance policy could severely impact the financial results and operational capabilities of the company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our offices in Tampa, Florida where we lease 11,772 square feet of office space. This corporate office space is located in a building that we previously owned. On December 10, 2015, we sold the building to Monaco Financial, LLC (See NOTE S). We currently do not own any buildings or land. We believe our current leased facility is sufficient for our foreseeable needs.

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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

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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.

Quarter Ended	Price (1)	
	High	Low
March 31, 2014	\$ 32.88	\$ 20.64
June 30, 2014	\$ 28.32	\$ 14.16
September 30, 2014	\$ 22.20	\$ 10.20
December 31, 2014	\$ 16.68	\$ 10.20
Quarter Ended		
March 31, 2015	\$ 12.84	\$ 6.12
June 30, 2015	\$ 9.24	\$ 4.80
September 30, 2015	\$ 5.88	\$ 3.12
December 31, 2015	\$ 7.80	\$ 2.76

(1) These prices have been adjusted to reflect a 1-for-12 reverse stock split that became effective on February 29, 2016.

Approximate Number of Holders of Common Stock

The approximate number of record holders of our common stock at February 23, 2016 was 265. This does not include stockholders that hold their stock in accounts included in street name with broker/dealers which approximates 12,700 stockholders.

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, 2015.

Issuer Purchases of Equity Securities

There were no repurchases of shares of the Company's common stock during the year ended December 31, 2015.

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,				
	2015	2014	2013	2012	2011
Results of Operations					
Revenue	\$ 5,330	\$ 1,323	\$ 23,914	\$ 13,198	\$ 15,727
Net income (loss)	(18,207)	(26,473)	(10,741)	(18,184)	(16,225)
Earnings (loss) per share - basic	(2.46)	(3.74)	(1.61)	(3.00)	(3.36)
Earnings (loss) per share - diluted	(2.46)	(3.74)	(1.61)	(3.00)	(3.36)
Cash dividends per share					
Financial Position					
Assets	\$ 6,913	\$ 25,090	\$ 51,461	\$ 26,897	\$ 23,414
Long-term obligations	3,141	11,808	5,662	4,011	5,690
Shareholder's equity (deficit)	(25,549)	(10,404)	13,207	(20,759)	(9,775)

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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.

See NOTE O regarding our 1-for-12 reverse stock split. Share related amounts have been retroactively adjusted in this report to reflect this reverse stock-split.

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 2015, 2014 and 2013, all of which included a twelve-month period ended December 31.

2015 Compared to 2014

Increase/(Decrease) (Dollars in millions)	2015 vs. 2014			
	2015	2014	\$	%
Total revenue	\$ 5.3	\$ 1.3	\$ 4.7	303%
Cost of sales	\$ 1.4	\$ 0.2	\$ 1.2	486
Marketing, general and administrative	11.5	9.8	1.7	17
Operations and research	11.4	19.5	(8.0)	(41)
Common stock issued for subsidiary stock option settlement	2.5	0.0	2.5	100
Total operating expenses	\$ 26.8	\$ 29.5	\$ (2.6)	(9%)
Other income (expense)	\$ 0.3	\$ (1.0)	\$ 1.2	(129%)
Income tax benefit (provision)	\$ 0.0	\$ 0.5	\$ (0.5)	(100%)
Non-controlling interest	\$ 3.0	\$ 2.2	\$ 0.9	39%
Net income (loss)	\$ (18.2)	\$ (26.5)	\$ 8.3	(31%)

Revenue

Revenue is generated through the sale of recovered cargo such as coins, bullion, and merchandise and from chartering or leasing our marine exploration equipment, vessel and services. Total revenue increased by \$4.0 million from \$1.3 million in 2014 to \$5.3 million in 2015. \$3.3 million of the revenue in 2015 resulted from providing marine exploration services to third parties, primarily for a shipwreck recovery project in the fourth quarter, and \$1.9 million of the 2015 revenue resulted from the sale of inventory items such as coins. The 2014 revenue was primarily the product of coin sales and a sale of gold obtained from refining the silver bullion recovered from the *Gairsoppa*

shipwreck.

Although significant quantities of gold and silver cargo items were recovered from the SS *Central America* shipwreck in 2014, the recovered cargo remains the property of RLP, and no revenues were recognized in 2014 or 2015 from this project because any amounts can only be measured upon monetization of the recovered cargo. Our financial interests in

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the eventual net proceeds from the monetization of the recovered cargo from the SS *Central America* shipwreck were sold to Monaco Financial, LLC in December 2015 (See NOTE S), thus no revenue is expected to be recognized from the recovered cargo in the future. Several other assets and inventory items were sold to Monaco as part of the transaction with Monaco. The sales of these other assets were not recorded as revenues.

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 is recorded for the sale of each *Republic* coin or the sale of merchandise and other items owned by us. We acquired non-refined *Gairsoppa* silver bars from the UK government. Cost of sales increased from \$0.2 million in 2014 to \$1.4 million in 2015. The increase in 2015 is due to a write-down on our inventory of SS *Gairsoppa* silver bars in line with a decline in world silver prices and to increased unit sales of SS *Republic* coins from our inventory.

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 increased from \$9.8 million in 2014 to \$11.5 million in 2015. This variance of \$1.7 million is primarily due to (i) a reversal of a bad debt provision of \$0.5 million in 2014, (ii) higher legal and transaction costs in 2015 related to the Stock Purchase Agreement with MINOSA, (iii) the accelerated vesting of restricted stock units related to the retirement of the Company's General Counsel in June 2015, and (iv) the accrual of additional compensation expenses in 2015.

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 \$11.4 million in 2015 as compared to \$19.5 million 2014. The decrease of \$8.0 million in 2015 is primarily due to (a) lower costs in 2015 associated with the *Dorado Discovery* vessel that came off a long term lease in August 2014, (b) our *Odyssey Explorer* vessel was operating offshore for most of 2014 whereas in 2015 it only operated offshore for part of the year, and (c) the 2014 period included a credit to expenses of \$6.3 million for the Priority Cost Recoupment on the SS *Central America* shipwreck project. Excluding this credit of \$6.3 million of 2014, operations and research expenses actually decreased by \$14.3 million.

Common stock issued for subsidiary stock option settlement was \$2.5 million in 2015 compared to nil in 2014. This represents the cost of exchanging 4.0 million newly issued shares of our common stock for cancelling MAKO Resources' call option on 6 million shares of Oceanica held by us. This transaction ensured that we maintained majority control over Oceanica.

Other Income or Expense

Other income and expense generally consists of interest income on investments, if any, 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. Total other income or expense changed from net other expense of \$1.0 million in 2014 to net other income of \$0.3 million in 2015 primarily as a result of a gain on the extinguishment of debt in 2015. On December 10, 2015, we extinguished a significant amount of debt in connection with a transaction with Monaco Financial, LLC (See NOTE S). This debt extinguishment resulted in a one-time gain of \$5.6 million. This 2015 gain was largely off-set by (a) interest expenses of \$4.6 million, which increased in 2015 as a result of a larger interest-bearing debt balance throughout the year and to a higher average interest rate on the loans, and (b) to a \$1.2 million expense resulting from the change in the fair value of the derivative liabilities (\$0.5 million related to the change in the stock price/volatility and \$0.7 million related to other changes such as the interest rate). The major new

debt obligations impacting the interest expense in 2015 are the \$10 million loan advanced from Monaco in the second half of 2014, and the \$14.75 million loan from MINOSA in the first half of 2015. These loans carry an interest rate ranging between 8-11%. We retired all the Bank loans (\$11.7 million) as part of the Monaco transaction on December 10, 2015. In 2014, there was an expense of \$0.5 million related to an increased investment in Neptune. No further investment in Neptune has been made since then.

Income Taxes and Non-Controlling Interest

We did not incur any taxes in 2015 or 2014. Although the Company has significant tax loss carryforwards, we incurred alternative minimum taxes related to the sale of subsidiary stock in 2013. As a result of an IRS private letter ruling to the Company, in 2014 we reversed a \$0.5 million provision for income taxes made in 2013.

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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 2015 was \$3.0 million compared to \$2.2 million in the same period in 2014. In both years, our subsea mineral exploration subsidiary was engaged in environmental studies and preparation of the Don Diego EIA. In 2015, there were extra fees paid for a third-party vessel as compared to 2014.

Liquidity and Capital Resources

(Dollars in thousands)	2015	2014
Summary of Cash Flows:		
Net cash (used) by operating activities	\$ (17,164)	\$ (28,555)
Net cash provided (used) by investing activities	800	(2,968)
Net cash provided by financing activities	15,462	13,344
Net (decrease) in cash and cash equivalents	\$ (902)	\$ (18,179)
Beginning cash and cash equivalents	3,144	21,322
Ending cash and cash equivalents	\$ 2,241	\$ 3,144

Discussion of Cash Flows

Net cash used by operating activities in 2015 was \$17.2 million, or an improvement of \$11.4 million compared to 2014, primarily as a result of an improvement in the net result before adjustment for the non-controlling interest. The 2015 operating cash flows primarily reflected a net loss before non-controlling interest of \$21.3 million offset by non-cash items of \$4.7 million including common stock issued for subsidiary stock option settlement (\$2.5 million, see NOTE J), depreciation and amortization (\$1.4 million), share-based compensation (\$2.7 million), notes payable interest accretion (\$2.3 million), and the change in the fair value of derivative liabilities (\$1.2 million, see NOTE J), a gain on the transfer of assets and settlement of debt (\$5.6 million, see NOTE S). Other working capital changes (including non-current assets) resulted in a decrease in working capital of \$0.6 million. This primarily included a decrease in accounts payable in 2015 of \$3.5 million and an increase in accrued expenses and other of \$2.0 million which were in turn partially offset by a decrease in inventory of \$1.2 million from increased coin sales, and increase in accounts receivable of \$0.6 million, and a decrease in other assets of \$0.3 million.

Net cash used by operating activities for 2014 was \$28.6 million. 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 \$0.03 million increase in inventory and a \$0.2 million increase in accounts payable.

Cash flows from investing activities in 2015 were \$0.8 million as the result of the sale of our Nassau Street building in March 2015. No major equipment purchases were made in 2015.

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.

Cash flows provided by financing activities in 2015 were \$15.5 million. During this period, we borrowed \$14.75 million from MINOSA (see NOTE K) and \$2.0 million from Monaco (See NOTE S). On December 10, 2015, we settled all

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of the Bank loans which resulted in the release of \$0.5 million that had been required to be maintained in a restricted bank account to service these Bank loans. These cash inflows were partially offset by repayment of debt obligations which included \$0.7 million in mortgage payable reductions after the sale of our Nassau Street building and an additional \$1.1 million in payments on the term loan from Fifth Third Bank.

Cash flows provided by financing activities for 2014 were \$13.3 million. In 2014, we received \$10.0 million from a loan from our marketing partner, Monaco Financial, LLC., a related party (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.

General Discussion 2015

At December 31, 2015, we had cash and cash equivalents of \$2.2 million, a decrease of \$0.9 million from the December 31, 2014 balance of \$3.1 million. This decrease was mainly the result of cash used in operations. Although there were significant cash inflows from financing activities (\$15.5 million), operating activities consumed \$16.4 million of cash.

In March 2015, we entered into a \$14.75 million loan agreement with Minera del Norte S.A. de c.v. (MINOSA) and into a Stock Purchase Agreement (SPA) with its affiliate, Penelope Mining LLC (Penelope) (See NOTE K). This agreement was subsequently approved by our stockholders at the June 9, 2015 Annual Stockholders Meeting. The SPA is subject to many terms and conditions that have not been fulfilled yet, thus at the date of this report, Penelope has not yet made any of the equity investments under the SPA. The loan agreement was amended in 2015 and subsequently in 2016. The maturity date has been extended several times with a current maturity date of March 18, 2017, see NOTE U for further information. Two representatives of affiliates of MINOSA were elected to the Odyssey Board of Directors on June 9, 2015 and various Mexican representatives of affiliates of MINOSA have been assisting us and our subsidiaries with the development and environmental permitting process for the mineralized phosphate concession area held in Mexico by one of our subsidiaries.

In 2015, we continued to advance the development of our subsidiary in Mexico that holds exclusive rights to a mineralized phosphate deposit (known as the Don Diego deposit). Additional studies and reports were prepared for the Mexican government's review of the company's application for an environmental permit to begin extraction of the phosphate rock from the concession area. A public hearing was held, questions from the government's SEMARNAT agency were answered, and numerous meetings were held with local and regional parties who have an interest in the project. During the course of 2015, we evaluated other mineral deposits and filed for concession rights to a new potential mineralized deposit unrelated to phosphate and unrelated the company's existing Don Diego deposit.

Due to delays in obtaining government permits for specific projects in 2015, the *Odyssey Explorer* was kept at a reduced operational and cost level for much of 2015. The main operational activity of the vessel occurred in the fourth quarter of 2015 when it worked under contract on the recovery of shipwreck cargo for a third-party client in the eastern part of the Mediterranean Sea. On December 10, 2015, we sold our shipwreck database, our exhibit activity, our merchandise and recovered cargo inventory, our headquarters building, 50% of our ownership in and 50% its receivables from Neptune Minerals, Inc, and our financial interest in the recovered cargo from the SS *Central America* shipwreck in exchange for cash and a reduction of our financial debt obligations (see NOTE S). We retained all our marine exploration tools and equipment (vessel, equipment, trained personnel, etc.). With the exception of a few

shipwreck projects that we retained (such as the HMS *Victory* project), our role in the shipwreck business going forward is to primarily be a contractor providing search and recovery services on a cost plus basis while earning a pre-defined share of net proceeds from the monetization of cargo by the client. This one client is Magellan Offshore Services (Magellan), an affiliate of Monaco. As part of this agreement, Magellan has agreed to exclusively hire us on a cost plus basis for any shipwreck search and recovery projects conducted in the next five years. In turn, we agreed not to pursue the shipwrecks included in the data base sold to Magellan. Magellan will also pay us 21.25% of the net proceeds from any monetization of recovered cargo. If Magellan elects to participate in funding the recovery costs of the few shipwreck projects we retained for ourselves, then it will have the right to receive up to 50% of our net proceeds from these projects, if any.

Financial debt of the company, excluding the derivative component of such debt, decreased by \$3.0 million in 2015, from a balance of \$21.2 million at December 31, 2014 to a balance of \$18.2 million at December 31, 2015. From March 11, 2015, through June 30, 2015, we received loans from MINOSA for a total amount of \$14.75 million. On December 10, 2015,

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we settled all remaining Bank debt in the amount of \$11.7 million and we reduced the amount of the loans due to Monaco (see NOTE S). Additional financial debt reductions resulted from \$1.0 million in scheduled semi-annual payments on our Term Loan with Fifth Third Bank in January and July 2015, and \$0.7 million of mortgage payments, the bulk of which paid off our Nassau street building mortgage upon the sale of that building in March 2015.

Financings**Stock Purchase Agreement**

On March 11, 2015, we entered into a Stock Purchase Agreement (the *Purchase Agreement*) with Penelope Mining LLC (the *Investor*), and, solely with respect to certain provisions of the Purchase Agreement, Minera del Norte, S.A. de C.V. (the *Lender*). The Purchase Agreement provides for us to issue and sell to the Investor shares of the our preferred stock in the amounts and at the prices set forth below (the numbers set forth below have been adjusted to reflect the 1-for-12 reverse stock split of February 19, 2016):

Series	No. of Shares	Price per Share
Series AA-1	8,427,004	\$ 12.00
Series AA-2	7,223,142	\$ 6.00

The closing of the sale and issuance of shares of the Company's preferred stock to the Investor is subject to certain conditions, including the Company's receipt of required approvals from the Company's stockholders (received on June 9, 2015), the receipt of regulatory approval, performance by the Company of its obligations under the Purchase Agreement, receipt of certain third party consents, the listing of the underlying common stock on the NASDAQ Stock Market and the Investor's satisfaction, in its sole discretion, with the viability of certain undersea mining projects of the Company. Completion of the transaction requires amending the Company's articles of incorporation to (a) effect a reverse stock split, which was done on February 19, 2016, (b) adjusting the Company's authorized capitalization, which was also done on February 19, 2016, and (c) establishing a classified board of directors (collectively, the *Amendments*). The Amendments have been or will be set forth in certificates of amendment to the Company's articles of incorporation filed or to be filed with the Nevada Secretary of State.

The purchase and sale of 2,916,667 shares of Series AA-1 Preferred Stock at an initial closing and for the purchase and sale of the remaining 5,510,337 shares of Series AA-1 Preferred Stock according to the following schedule, subject to the satisfaction or waiver of specified conditions set forth in the Purchase Agreement:

Date	No. Series AA-1 Shares	Total Purchase Price
March 1, 2016	1,806,989	\$ 21,683,868
September 1, 2016	1,806,989	\$ 21,683,868
March 1, 2017	1,517,871	\$ 18,214,446
March 1, 2018	378,488	\$ 4,541,856

The Investor may elect to purchase all or a portion of the Series AA-1 Preferred Stock before the other dates set forth above. The initial closing and the closing scheduled for March 1, 2016, have not yet occurred because certain conditions to closing have not yet been satisfied or waived. After completing the purchase of all AA-1 Preferred Stock, the Investor has the right, but not the obligation, to purchase all or a portion the 7,223,145 shares of Series AA-2 Preferred Stock at any time after the closing price of the Common Stock on the NASDAQ Stock Market has

been \$15.12 or more for 20 consecutive trading days. The Investor's right to purchase the shares of Series AA-2 Preferred Stock will terminate on the fifth anniversary of the initial closing under the Purchase Agreement.

The Purchase Agreement contains certain restrictions, subject to certain exceptions described below, on the Company's ability to initiate, solicit or knowingly encourage or facilitate an alternative acquisition proposal, to participate in any discussions or negotiations regarding an alternative acquisition proposal, or to enter into any acquisition agreement, merger agreement or similar definitive agreement, or any letter of intent, memorandum of understanding or agreement in principle, or any other agreement relating to an alternative acquisition proposal. These restrictions will continue until the earlier to occur of the termination of the Purchase Agreement pursuant to its terms and the time at which the initial closing occurs.

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The Purchase Agreement also includes customary termination rights for both the Company and the Investor and provides that, in connection with the termination of the Purchase Agreement under specified circumstances, including in the event of a termination by the Company in order to accept a Superior Proposal, the Company will be required to pay to the Investor a termination fee of \$4.0 million.

The Purchase Agreement contains representations, warranties and covenants of the parties customary for a transaction of this type.

Subject to the terms set forth in the Purchase Agreement, the Lender agreed to provide the Company, through a subsidiary of the Company, with loans of up to \$14.75 million, the outstanding amount of which, plus accrued interest, will be repaid from the proceeds from the sale of the shares of Series AA-1 Preferred Stock at the initial closing. The Lender loaned the Company the full \$14.75 million during the period March 11 through June 30, 2015. The outstanding principal balance of the loan at December 31, 2015 was \$14.75 million.

The obligation to repay the loans is evidenced by a promissory note (the *Note*) in the amount of up to \$14.75 million and bears interest at the rate of 8.0% per annum, and, pursuant to a pledge agreement (the *Pledge Agreement*) between the Lender and Odyssey Marine Enterprises Ltd., an indirect, wholly owned subsidiary of the Company (*OME*), is secured by a pledge of 54.0 million shares of Oceanica Resources S. de R.L., a Panamanian limitada (*Oceanica*), held by OME. In addition, OME and the Lender entered into a call option agreement (the *Oceanica Call*), pursuant to which OME granted the Lender an option to purchase the 54.0 million shares of Oceanica held by OME for an exercise price of \$40.0 million at any time during the one-year period after the Oceanica Call was executed and delivered by the parties. The Oceanica Call option expired on March 11, 2016 without being executed or extended. The Oceanica Call was to also terminate if the Investor elected to terminate the Purchase Agreement under specified circumstances. On December 15, 2015, the Promissory Note was amended to provide that, unless otherwise converted as provided in the Note, the adjusted principal balance shall be due and payable in full upon written demand by MINOSA; provided that MINOSA agrees that it shall not demand payment of the adjusted principal balance earlier than the first to occur of: (i) 30 days after the date on which (x) SEMARNAT makes a determination with respect to the current application for the Manifestacion de Impacto Ambiental relating to the Don Diego Project, which determination is other than an approval or (y) Enterprises or any of its affiliates withdraws such application without MINOSA's prior written consent; (ii) termination by Odyssey of the Stock Purchase Agreement, dated March 11, 2015 (the *Purchase Agreement*), among Odyssey, MINOSA, and Penelope Mining, LLC (the *Investor*); (iii) the occurrence of an event of default under the Promissory Note; (iv) March 30, 2016; or (v) if and only if the Investor shall have terminated the Purchase Agreement pursuant to Section 8.1(d)(iii) thereof, March 30, 2016. On March 18, 2016 the agreements with MINOSA and Penelope were further amended (see NOTE U).

Class AA Convertible Preferred Stock

Pursuant to a certificate of designation (the *Designation*) to be filed with the Nevada Secretary of State, each share of Series AA-1 Convertible Preferred Stock and Series AA-2 Convertible Preferred Stock (collectively, the *Class AA Preferred Stock*) will be convertible into one share of Common Stock at any time and from time to time at the election of the holder. Each share of Class AA Preferred Stock will rank pari passu with all other shares of Class AA Preferred Stock and senior to shares of Common Stock and all other classes and series of junior stock. If the Company declares a dividend or makes a distribution to the holders of Common Stock, the holders of the Class AA Preferred Stock will be entitled to participate in the dividend or distribution on an as-converted basis. Each share of Class AA Preferred Stock shall entitle the holder thereof to vote, in person or by proxy, at any special or annual meeting of stockholders, on all matters voted on by holders of Common Stock, voting together as a single class with other shares entitled to vote thereon. So long as a majority of the shares of the Class AA Preferred Stock are outstanding, the Company will be prohibited from taking specified extraordinary actions without the approval of the holders of a majority of the

outstanding shares of Class AA Preferred Stock. In the event of the liquidation of the Company, each holder of shares of Class AA Preferred Stock then outstanding shall be entitled to be paid, out of the assets of the Corporation available for distribution to its stockholders, an amount in cash equal to the greater of (a) the amount paid to the Company for such holder's shares of Class AA Preferred Stock, plus an accretion thereon of 8.0% per annum, compounded annually, and (b) the amount such holder would be entitled to receive had such holder converted such shares of Class AA Preferred into Common Stock immediately prior to such time at which payment will be made or any assets distributed.

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Stockholder Agreement

The Purchase Agreement provides that, at the initial closing, the Company and the Investor will enter into a stockholder agreement (the **Stockholder Agreement**). The Stockholder Agreement will provide that (a) in connection with each meeting of the Company's stockholders at which directors are to be elected, the Company will (i) nominate for election as members of the Company's board of directors a number of individuals designated by the Investor (**Investor Designees**) equivalent to the Investor's proportionate ownership of the Company's voting securities (rounded up to the next highest integer) less the number of Investor Designees who are members of the board of directors and not subject to election at such meeting, and (ii) use its reasonable best efforts to cause such nominees to be elected to the board of directors; (b) the Company will cause one of the Investor Designees to serve as a member of (or at such Investor Designee's election, as an observer to) each committee of the Company's board of directors; and (c) each Investor Designee shall have the right to enter into an indemnification agreement with the Company (an

Indemnification Agreement) pursuant to which such Investor Designee is indemnified by the Company to the fullest extent allowed by Nevada law if, by reason of his or her serving as a director of the Company, such Investor Designee is a party or is threatened to be made a party to any proceeding or by reason of anything done or not done by such Investor Designee in his or her capacity as a director of the Company.

The Stockholder Agreement will provide the Investor with pre-emptive rights with respect to certain equity offerings of the Company and restricts the Company from selling equity securities until the Investor has purchased all the Class AA Preferred Stock or no longer has the right or obligation to purchase any of the Class AA Preferred Stock. The Stockholder Agreement will also provide the Investor with certain **first look** rights with respect to certain mineral deposits discovered by the Company or its subsidiaries. Pursuant to the Stockholder Agreement, the Company will grant the Investor certain demand and piggy-back registration rights, including for shelf registrations, with respect to the resale of the shares of Common Stock issuable upon conversion of the Class AA Preferred Stock.

Other Loans

During October 2015 we entered into a loan agreement with Monaco Financial, LLC (**Monaco**) to provide up to \$2.0 million. We received the initial advance of \$1.0 million on October 30, 2015. The second \$1.0 million was conditional upon entering into a definitive agreement relating to their acquisition of certain assets from us, subject to their obligation to satisfy certain of our indebtedness. On December 10, 2015, Odyssey, Monaco, and certain affiliates of Monaco entered into and completed the transactions contemplated by an acquisition agreement (the **Acquisition Agreement**) pursuant to which, among other things, we sold certain assets to Monaco and its affiliates, and Monaco (a) repaid our indebtedness for borrowed money owed to a bank, (b) reduced the amount of indebtedness owed by us to Monaco and agreed to certain modifications regarding the remaining indebtedness, and (c) applied the amount of advances previously made by Monaco to us, as well as additional cash, to the consideration paid to us for the transaction. More significantly, Monaco advanced the additional \$1.0 million to us, extinguished the \$2.0 million loan it had made to us in the fourth quarter of 2015, settled in full all of our three bank loans (\$11.7 million), and amended or extinguished certain loans made in 2014 by Monaco to us (extinguished \$2.2 million of the loans, ceased interest on \$5.0 million of the loans and made it only repayable under certain circumstances, and extended the maturity of the remaining \$2.8 million of loans to December 31, 2017 (See NOTE K).

In August 2015, we amended our term loan with Fifth Third Bank (the **Bank**) setting the maturity date on the loan at December 17, 2015. In January and July 2014 and 2015 we made required semi-annual principal payments of \$500,000 on the loan. This loan was settled in full on December 10, 2015 in connection with the transaction with Monaco. The balance of this loan at December 31, 2015 was \$0.

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. 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. This loan agreement was amended in May and September 2015, so that the maturity of the loan was changed to December 17, 2015. This loan was settled in full on December 10, 2015 in connection with the transaction with Monaco. The balance of this loan at December 31, 2015 was \$0.

On August 14, 2014, we entered into a loan agreement with Monaco that provided for loans of up to an aggregate amount of \$10.0 million. The full amount was loaned to us in the second half of 2014. On December 1, 2014, we received the third tranche of \$2.5 million on this loan facility. 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 on August 14, 2016. As further consideration for the credit facility, we agreed to assign to the lender 100,000 shares Odyssey owns in Oceanica Resources and granted the lender the right to convert the outstanding loan balance into shares of Oceanica Resources 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,

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including a portion of Odyssey's shares in Oceanica Resources, and by any residual in Odyssey's financial interest in the proceeds from the monetization of SS *Central America* cargo after repayment of the Bank loan. 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. In connection with the transaction we completed with Monaco on December 10, 2015, the parties extinguished \$2.2 million of the Monaco loan, ceased interest on \$5.0 million of the loans and made them only repayable under certain circumstances, and extended the maturity of the remaining \$2.8 million of loans to December 31, 2017 (See NOTE K and NOTE S). As of December 31, 2015, the loan balance outstanding was \$2.8 million.

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. This loan was again amended in September 2015 whereby the new maturity date was set at December 17, 2015. This loan was settled in full on December 10, 2015 in connection with the transaction with Monaco. The balance of this loan at December 31, 2015 was \$0.

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. In March 2015 we sold the building covered by this mortgage and simultaneously prepaid the entire balance of this loan and terminated the loan.

Going Concern Consideration

We have experienced several years of net losses and may continue to do so. Our ability to generate net income or positive cash flows in 2016 or the following twelve months is dependent upon our success in developing and monetizing our interests in mineral exploration entities, generating income from exploration charters, collecting on amounts owed to us, and completing the MINOSA/Penelope equity financing transaction approved by our stockholders on June 9, 2015. During 2015 we received notices from NASDAQ of a possible de-listing for not being compliant with their continued listing requirements. In the first quarter of 2016, we regained compliance with these continued listing requirements. Our 2016 business plan requires us to generate new cash inflows during 2016 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of our receivables and equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned opportunities for raising cash 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 (Penelope), an affiliate of MINOSA, pursuant to which (a) MINOSA agreed to extend short-term, debt financing to Odyssey of up to \$14.75 million, and (b) Penelope agreed to invest up to \$101 million over three years in convertible preferred stock of Odyssey. The equity financing is subject to the satisfaction of certain conditions, including the approval of our stockholders which occurred on June 9, 2015, and MINOSA and Penelope are currently under no obligation to make the preferred share equity investments. (See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - General Discussion 2015 - Financings.) 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, 2015 was \$2.2 million which is insufficient to support operations through the end of 2016. We have a working capital deficit at December 31, 2015 of \$21.1 million. Our largest loan of \$14.75 million from MINOSA has a maturity date of March 18, 2017. We sold a substantial part of our assets to Monaco and its affiliates on December 10, 2015 and we have pledged the majority of our remaining assets to MINOSA, and its affiliates, and to Monaco, leaving us with few opportunities to raise additional funds from our balance sheet. The total consolidated book value of our assets was \$6.9 million at December 31, 2015 and the fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangements, Penelope must purchase the shares for us to be able to complete the equity component of the transaction. The Penelope equity transaction is heavily dependent on the outcome of our subsidiary's application approval process for an environmental permit to commercially develop a mineralized phosphate deposit in Mexico. 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.

Table of Contents**2014 Compared to 2013**

Increase/(Decrease) (Dollars in millions)	2014 vs. 2013			
	2014	2013	\$	%
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

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 total revenue of \$22.6 million (from \$23.9 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 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 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.

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

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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

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.

Income 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

(Dollars in thousands)	2014	2013
Summary of Cash Flows:		
Net cash (used) by operating activities	\$ (28,555)	\$ (19,658)
Net cash (used) by investing activities	(2,968)	(4,505)

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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

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),

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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 \$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 \$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.

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.

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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 two-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. Approval of the application is expected late first quarter or early second quarter of 2015.

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, 2015.

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

On December 10, 2015, we sold a significant amount of our long-lived assets (See NOTE S). As of December 31, 2015, we had approximately \$2.8 million of net 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, 2015. As required by the ASC topic for Accounting for Income Taxes, 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 \$64.6 million has been recorded as of December 31, 2015.

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. On December 10, 2015, we sold all items that had previously been part of our artifact inventory (See NOTE S).

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. On December 10, 2015, we sold a significant part of our accounts receivable (See NOTE S).

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, 2015, 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
Contractual Obligations					
Long-term obligations	\$ 2,800	\$	\$ 2,800	\$	\$
Operating lease	723	241	482		
Interest on long-term obligations	617	309	308		
Total contractual obligations	\$ 4,140				