

Oimage, Inc.
Form 10-K
April 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2013

Commission File Number 0-17264

Oimage, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

20-2876380
(I.R.S. Employer
Identification Number)

350 Fifth Avenue, 48th Floor, New York, N.Y. 10118
(Address of Principal Executive Offices)

Registrant's telephone number and area code: (212) 563-4141

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

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.001 par value
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933, as amended ("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 Exchange Act of 1934 (the "Act"). Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act 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 a check mark whether the Registrant has submitted electronically and posted on its corporate Website 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 (229.405 of this chapter) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 12,214,875 shares of voting stock held by non-affiliates of the Registrant (based upon the average of the high and low bid prices) on June 30, 2013, the last day of the Registrant's most recently completed second quarter, was \$18,933,056. (SEE: "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities").

As of April 11, 2014, the Registrant had outstanding 15,454,898 shares of Common Stock, par value \$.001 per share ("Common Stock").

Documents Incorporated By Reference

The Index to Exhibits appears on page 54.

Oimage, Inc.

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Forward Looking Statements

Some of the statements contained in this report that are not statements of historical facts constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, notwithstanding that such statements are not specifically identified as such. These forward-looking statements are based on current expectations and projections about future events. The words “estimates,” “projects,” “plans,” “believes,” “expects,” “anticipates,” “intends,” “targets,” “continues,” “remains,” “will,” “should,” “may” and other similar expressions, or the negative or other variations thereof, as well as discussions of strategy that involve risks and uncertainties, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Examples of forward-looking statements include but are not limited to statements about or relating to: (i) future revenues, expenses, income or loss, cash flow, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items, (ii) plans, objectives and expectations of Omagine, Inc. or its management or Board of Directors, (iii) the Company’s business plans, products or services, (iv) the probability of Omagine LLC signing the Development Agreement contract (“DA”) with the Government of Oman, (v) future economic or financial performance, and (vi) assumptions underlying such statements.

We urge you to be cautious of the forward-looking statements and other similar forecasts and statements of expectations since such statements (i) reflect our current beliefs with respect to future events, (ii) involve, and are subject to, known and unknown risks, uncertainties and other factors affecting our operations and growth strategy, and (iii) could cause the Company's actual results, financial or operating performance or achievements to differ from future results, financial or operating performance or achievements expressed or implied by such forward-looking statements. Forecasts, projections and assumptions contained and expressed herein were reasonably based on information available to the Company at the time so furnished and as of the date of this report. All such forecasts, projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurance can be given that such forecasts, projections or assumptions will be realized. No assurances can be given regarding the achievement of future results, as our actual results may differ materially from our projected future results as a result of the risks we face, and actual future events may differ from anticipated future events because of the assumptions underlying the forward-looking statements that have been made regarding such anticipated future events.

Factors that may cause actual results, our performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include without limitation:

- the uncertainty associated with whether or not the Government of the Sultanate of Oman will sign the agreed DA with Omagine LLC;
- the uncertainty associated with political events in general in the Middle East and North Africa (the “MENA Region”);
- the success or failure of the Company’s efforts to secure additional financing, including project financing for the Omagine Project;
- oversupply of residential and/or commercial property inventory in the Oman real estate market or other adverse conditions in such market;
- the impact of MENA Region or international economies and/or future events (including natural disasters) on the Oman economy, on the Company’s business or operations, on tourism within or into Oman, on the oil and natural gas businesses in Oman and on other major industries operating within the Omani market;
- deterioration or malaise in economic conditions in Oman, the MENA Region or in the international real estate markets;

inflation, interest rates, movements in interest rates, securities market and monetary fluctuations;
acts of war, civil or political unrest, terrorism or political instability; or
the ability to attract and retain skilled employees.

Potential investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

Item 1. Business.

Introduction

We are a development stage company focused on entertainment, hospitality and real estate development opportunities in the MENA Region and we focus on the design and development of unique tourism destinations.

Our mission is to develop, own and operate innovative projects in the MENA Region which have tourism components that are thematically imbued with culturally aware, historically faithful, and scientifically accurate entertainment experiences. We design the tourism elements of our development projects to be modern and stylish while emphasizing the world's great art, music, culture, science and philosophy.

Our initial project - the "Oimage Project" - is planned to be developed in the Sultanate of Oman and is planned to be an archetype for our future projects in the MENA Region. For a description of the Oimage Project, see "The Oimage Project" in this Item 1 below.

Oimage, Inc. (the "Registrant" or "Oimage, Inc.") is a development stage entity ("DSE") as defined in ASC 915 issued by the Financial Accounting Standards Board. The Registrant is a holding company which was incorporated in Delaware in October 2004 and is the successor to Alfa International Corp.

The Registrant conducts substantially all of its operations through its 60% owned subsidiary Oimage LLC and its wholly-owned subsidiary Journey of Light, Inc. ("JOL"). Oimage, Inc., JOL and Oimage LLC are sometimes referred to herein collectively as the "Company".

In November 2009, Oimage, Inc. and JOL formed Oimage LLC, an Omani limited liability company in the Sultanate of Oman ("Oman").

In May 2011, Oimage LLC sold newly issued shares of its capital stock to Oimage, Inc. and three investors thereby reducing the Oimage, Inc. ownership of Oimage LLC from 100% to 60%. (See: "Business – The Shareholder Agreement").

The Company plans to continue its focus on real estate development, entertainment and hospitality ventures and on developing, building, owning and operating tourism and residential real estate development projects, primarily in the MENA Region.

The Company presently concentrates the majority of its efforts on the tourism and real estate development business of Oimage LLC.

The Company's executive office is located at The Empire State Building, 350 Fifth Avenue, 48th Floor, New York, NY 10118, and its telephone number is 212-563-4141. Oimage LLC leases an office in Muscat, Oman. All facilities are leased from unaffiliated third parties.

The Oimage Project

The Company has proposed the development of the Oimage Project to the Government of Oman (the "Government").

We anticipate that the Oimage Project will be developed on one million square meters (equal to approximately 245 acres) of beachfront land facing the Gulf of Oman just west of the capital city of Muscat (the "Oimage Site") and approximately six miles from Muscat International Airport. The "New Boundaries" of the Oimage Site (as defined below) do not materially alter its size or location. The Oimage Project is planned to be an integration of cultural, heritage, educational, entertainment and residential components, including: a "high culture" theme park containing seven pearl shaped buildings, each approximately 60 feet in diameter; associated exhibition buildings; an open air boardwalk, amphitheater and stage; open space green landscaped areas; a canal and enclosed harbor and marina area; retail shops and restaurants; entertainment venues; boat slips and docking facilities; a five-star resort hotel; a four-star hotel; and possibly an additional three or four-star hotel; shopping and retail establishments integrated with the hotels; commercial office buildings; and more than two thousand residences to be developed for sale.

Significant commercial, retail, entertainment and hospitality elements are included in the Oimage Project which is expected to take more than five years to complete. The Company plans, over time, to also be in the property management, hospitality and entertainment businesses.

Non-Omani persons (such as expatriates living and working in Oman) are not permitted by Omani law to purchase land or residences in Oman outside of an Integrated Tourism Complex ("ITC"). Pursuant to the Development Agreement as presently agreed, the Government will issue a license designating the Oimage Project as an ITC and as such, Oimage LLC will be permitted to sell the freehold title to land and properties developed on the Oimage Site to any person, including any non-Omani person.

The Development Agreement

The contract between the Government and Oimage LLC which will govern the design, development, construction, management and ownership of the Oimage Project and the Government's and Oimage LLC's rights and obligations with respect to the Oimage Project, is the "Development Agreement" (the "DA"). The DA has been approved by the Ministry of Tourism ("MOT") and by all other required Ministries of the Government of Oman. The Company has experienced numerous DA signing delays with the MOT but as of the date of this report management expects that the DA signing is imminent. For a detailed description of the prior delays encountered by the Company, please see the Registrant's prior reports filed with the United States Securities and Exchange Commission (the "SEC").

From October 2013 through the filing date of this report in April 2014, an intensified series of meetings and discussions were held between and among various members of Oimage LLC's management, shareholders, and lawyers and the Minister of Tourism, His Excellency Ahmed Al-Mahrizi, and the MOT staff. All of MOT's outstanding issues and questions with respect to the DA were resolved and the text of a "Final DA" was agreed upon.

The final issue in these discussions was a proposal by MOT to slightly vary the boundaries of the Oimage Site (the "New Boundaries"). Oimage LLC agreed to the New Boundaries and, since the Oimage Site was originally transferred to MOT by the office of Royal Court Affairs ("RCA"), MOT requested that RCA also consent to the New Boundaries. H.E. Mahrizi informed Mr. Drohan that (i) as soon as RCA had consented to the New Boundaries, the MOT staff would secure a new land deed (a "krooki") from the Ministry of Housing ("MOH") showing the New Boundaries of the Oimage Site (the "New Krooki"), and (ii) as soon as the New Krooki was issued, he (H.E. Mahrizi) was ready to sign the Final DA with Oimage LLC.

On March 18, 2014, RCA wrote to MOT consenting to the New Boundaries. On March 26, 2014 MOT informed the Company that it had received RCA's consent letter and would procure the New Krooki from MOH. Since then management has been following up assiduously with MOT and MOH in order to expedite the issuance of the New Krooki.

In response, we believe to our direct, frank, frequent and urgent inquiries to H.E. Al-Mahrizi, the Minister of Tourism, on April 13, 2014 we received from a newly appointed adviser to the Minister of Tourism a somewhat confused letter. This letter informed us that (i) MOT had not yet received the New Krooki from MOH, and (ii) MOT remained ready to sign the DA and the Usufruct Agreement ("UA") after receiving the New Krooki. (See "Usufruct Agreement", below)

Directly contrary to H.E. Al-Mahrizi's wishes however, the letter went on to express the newly appointed adviser's belief that, the UA and the DA would be signed at different times. The letter further stated – incorrectly - that certain terms and conditions contained in the DA are also contained in the UA. It is management's belief that this letter, as flawed as it was in many respects, was an effort by MOT to answer and mollify us about the still unissued New Krooki. The operative fact here is that, although it is a somewhat trivial task, MOH simply has not yet issued the New Krooki to MOT and no amount of pressure can cause MOT to move to a signing date until the New Krooki is issued by MOH. Having said that, we – and the Omani public relations officers at CCC-Oman – will continue to follow up with MOH in an attempt to expedite the issuance of the New Krooki. No date for the DA signing has been set as of the date hereof but management continues to believe that the DA signing will follow quickly after the issuance of the New Krooki.

The identical mistakes and incorrect facts expressed in the abovementioned letter by the new adviser were heretofore expressed by other MOT Staff and such mistakes and incorrect facts were previously corrected on December 9, 2013 by the Minister when he, among other things, decided and directed that the DA and UA would be signed simultaneously (See Exhibit 99.4).

Management does not therefore anticipate any problems resulting from the abovementioned letter and we expect that the Minister of Tourism will, as he has done in the past, promptly rectify the new adviser's misconceptions. Mr. Drohan plans to meet with the Minister of Tourism in this regard as soon as possible.

Past experience indicates that caution should be exercised in making any assumptions until the DA is actually signed by the parties. In light of such past experience, we caution investors that we cannot give any assurance whatsoever that the DA will be signed by the parties until it is actually signed by them.

The Usufruct Agreement

The Usufruct Agreement (the “UA”) is the contract between the Government and Omaxine LLC which will govern the use, development and sale of the land constituting the Omaxine Site (the “Project Land”). With respect to how such Project Land may be used or developed, the UA goes into no detail and merely states that the Omaxine Site will be developed in accordance with the DA. Although the UA is a separate agreement from the DA, the DA and UA are dependent upon each other and the UA is part of and is incorporated by reference into the DA. Both the UA and the DA stipulate that in the event of any conflict between the terms and conditions of the DA and the terms and conditions of the UA, the terms and conditions of the DA will control. The term of the Usufruct Agreement is for fifty (50) years and it is renewable for an additional fifty years upon the agreement of the parties (the “Term”).

The UA grants Omaxine LLC the absolute right during the Term to use, control, develop and sell (to itself or others) the Project Land pursuant to the terms of the DA. The UA obligates Omaxine LLC, beginning on the fifth anniversary of the signing of the UA, to pay the Government an annual fee equal to three hundred Omani Baisa (equivalent to approximately \$0.78) for each square meter of Project Land on which there is a non-residential building (the “Usufruct Rent”). No Usufruct Rent is due or owing during the first five years after signing the UA and no Usufruct Rent is ever due or owing during the Term with respect to Project Land (i) on which there is a residential building, or (ii) on which there is not a substantially completed non-residential building (i.e. open space, roads, building work-in-progress, etc.).

As is present practice in Oman, the Company anticipates that, all sales contracts with third party purchasers of residential or commercial properties will stipulate the payment to Omaxine LLC by such purchasers of (i) a deposit on signing of such sales contract, and (ii) progress payments during the construction period of the relevant property covered by such sales contract. Since the aggregate of such deposit and progress payments before and during the construction of the relevant property is expected to be approximately 85% of the sales price of the relevant property stipulated in such sales contract, the Company anticipates that (i) the construction costs for the vast majority of such properties will be “owner-financed” by the relevant purchaser, and (ii) it will therefore not be necessary for Omaxine LLC to utilize any Construction Financing from its banks in order to pay for such construction costs. Management expects that this commonly accepted sales contract and payment process will significantly benefit Omaxine LLC by reducing its aggregate requirements for Construction Financing from its banks.

The UA and DA also obligate Omaxine LLC to pay the Government twenty-five (25) Omani Rials (equivalent to approximately \$65) for each square meter of Project Land purchased directly by Omaxine LLC or sold by Omaxine LLC to any third party during the Term (the “Land Price Payments”). Such Land Price Payments are not due or owing to the Government from Omaxine LLC until the time that Omaxine LLC legally transfers the freehold title to such land to such purchasers, which time will coincide with the closing of the sale of such properties. Such closings will only occur after (i) the properties are fully constructed, and (ii) Omaxine LLC has received final payment from the purchaser of the relevant sales contract amount for such properties. Omaxine LLC’s financing profile will therefore be further enhanced since it will not be obligated to make any Land Price Payments to the Government until after it has already received 100% of the contracted sales price amount from the relevant purchaser at the closing when the freehold title to such land and property is transferred to the purchaser.

At the expiration of the Term, any Project Land or buildings situated on Project Land remaining unsold - if any - will revert to the ownership of the Government. Since the UA and DA grant Omaxine LLC the right to sell the freehold title to all Project Land and buildings in the Omaxine Project, the Company does not presently anticipate that there will be any unsold Project Land or buildings at the expiration of the Term. The foregoing summary of the terms of the Usufruct Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Usufruct Agreement which the Company will file as an exhibit to its SEC filing subsequent to the signing of the Usufruct Agreement.

The Shareholder Agreement

In May 2011, Oimage, Inc., JOL and three (3) investors (the “New Shareholders”) signed a shareholders’ agreement dated as of April 20, 2011 with respect to Oimage LLC (the “Shareholder Agreement”). The New Shareholders are (i) RCA, (ii) Consolidated Contracting Company S.A. (“CCC-Panama”) and (iii) Consolidated Contractors (Oman) Company LLC, (“CCC-Oman”).

The parties to the Shareholder Agreement are Oimage, Inc., JOL and the New Shareholders. The Shareholder Agreement is Exhibit 10.3 hereto.

The Office of Royal Court Affairs (“RCA”) is an Omani organization representing the personal interests of His Majesty, Sultan Qaboos bin Said, the ruler of Oman.

Consolidated Contractors International Company, SAL, (“CCIC”) is a 60 year old Lebanese multi-national company headquartered in Athens, Greece. CCIC has approximately five and one-half (5.5) billion dollars in annual revenue and one hundred twenty thousand (120,000) employees worldwide. It has operating subsidiaries in, among other places, every country in the MENA Region. CCC-Panama is a subsidiary of CCIC and is its investment arm. CCC-Oman is an Omani construction company with approximately 13,000 employees in Oman and is CCIC’s operating subsidiary in Oman.

Prior to the signing of the Shareholder Agreement Oimage LLC was wholly owned by Oimage, Inc. and JOL and was capitalized by Oimage, Inc. and JOL at 20,000 Omani Rials which is equivalent to approximately \$52,000 (the “OMAG Initial Equity Investment”).

Pursuant to the provisions of the Shareholder Agreement, Oimage, Inc. reduced its 100% ownership of Oimage LLC to sixty percent (60%) and Oimage LLC sold newly issued shares of its capital stock to the New Shareholders and to Oimage, Inc. for an aggregate cash investment amount of 26,968,125 Omani Rials (equivalent to approximately \$70,117,125) (the “New Investment”) plus an as yet undetermined non-cash “payment-in-kind” investment by RCA (the “PIK”) representing the value to Oimage LLC of the rights to be granted to Oimage LLC pursuant to the DA over the land constituting the Oimage Site.

Pursuant to the terms of the Shareholder Agreement, the New Investment will be invested in three stages.

1. As of the date hereof an initial portion of the New Investment equal to 130,000 Omani Rials (equivalent to approximately \$338,000) has been invested into Oimage LLC by the New Shareholders and Oimage, Inc.
2. Subsequent to the signing of the DA but prior to the Financing Agreement Date (as hereinafter defined), an additional portion of the New Investment equal to 210,000 Omani Rials which is equivalent to approximately \$546,000 (the “OMAG Final Equity Investment”) will be invested into Oimage LLC by Oimage, Inc.
3. On or immediately subsequent to the Financing Agreement Date, the final portion of the New Investment equal to 26,628,125 Omani Rials (equivalent to approximately \$69,233,125) will be invested into Oimage LLC by the New Shareholders.

The value of the PIK investment by RCA will be added to Oimage LLC’s capital after such value is determined subsequent to the signing of the DA. As of the date hereof 41,000 Omani Rials (equivalent to approximately \$106,600) of the OMAG Final Equity Investment has been advanced by Oimage, Inc. to Oimage LLC in order to maintain Oimage LLC’s liquidity.

Pursuant to the Shareholder Agreement the New Investment to be made into Oimage LLC will be invested as follows:

1. CCIC's two subsidiaries will invest an aggregate of 19,010,000 Omani Rials (equivalent to approximately \$49,426,000) into Oimage LLC. CCC-Panama will invest 12,673,333 Omani Rials (equivalent to approximately \$32,950,666) and CCC-Oman will invest 6,336,667 Omani Rials in cash (equivalent to approximately \$16,475,334), as follows:
 - (i) As of the date hereof, CCC-Panama has invested 15,000 Omani Rials (equivalent to approximately \$39,000) into Oimage LLC and CCC-Panama will invest an additional 12,658,333 Omani Rials (equivalent to approximately \$32,911,666) on the Financing Agreement Date.
 - (ii) As of the date hereof, CCC-Oman has invested 7,500 Omani Rials (equivalent to approximately \$19,500) into Oimage LLC and CCC-Oman will invest an additional 6,329,167 Omani Rials (equivalent to approximately \$16,455,834) on the Financing Agreement Date.
 - (iii) The CCC-Panama and CCC-Oman initial combined investments of 22,500 Omani Rials (equivalent to approximately \$58,500) have been received by Oimage LLC as of the date hereof and payment of the CCC-Panama and CCC-Oman combined investment balance of 18,987,500 Omani Rials (equivalent to approximately \$49,367,500) is contingent upon (i) the signing of a contract between Oimage LLC and CCC-Oman appointing CCC-Oman as the general contractor for the Oimage Project, and (ii) the occurrence of the Financing Agreement Date.
 - (iv) The result of the foregoing is that CCC-Panama presently owns ten percent (10%) of Oimage LLC and CCC-Oman presently owns five percent (5%) of Oimage LLC.
2. RCA will invest an aggregate of 7,678,125 Omani Rials (equivalent to approximately \$19,963,125) into Oimage LLC plus RCA will also invest the non-cash value of the PIK into Oimage LLC, as follows:
 - (i) As of the date hereof, RCA has invested 37,500 Omani Rials (equivalent to approximately \$97,500) into Oimage LLC and, contingent only upon the occurrence of the Financing Agreement Date, RCA will invest an additional 7,640,625 Omani Rials (equivalent to approximately \$19,865,625) on the Financing Agreement Date.
 - (ii) Subsequent to Oimage LLC acquiring its rights over the Oimage Site pursuant to the terms of the Development Agreement, the PIK will be valued by an independent valuation expert and only after the approval and concurrence of Oimage LLC's independent auditors, such value will then be booked as an additional non-cash capital investment by RCA into Oimage LLC.
 - (iii) The result of the foregoing is that RCA presently owns twenty-five percent (25%) of Oimage LLC.
3. Oimage, Inc.'s total aggregate investment into Oimage LLC will be 300,000 Omani Rials (equivalent to approximately \$780,000). In addition to the 20,000 Omani Rial OMAG Initial Investment made in 2009, Oimage, Inc. will invest an additional 280,000 Omani Rials (equivalent to approximately \$728,000) into Oimage LLC as follows:

- (i) As of the date hereof Oimage, Inc. has invested an additional 70,000 Omani Rials (equivalent to approximately \$182,000) into Oimage LLC.
- (ii) Oimage Inc. will invest the OMAG Final Equity Investment of 210,000 Omani Rials (equivalent to approximately \$546,000) into Oimage LLC after the DA is signed but before the Financing Agreement Date. Investment of the OMAG Final Equity Investment by Oimage, Inc. is not contingent upon the occurrence of the Financing Agreement Date. As of the date hereof 41,000 Omani Rials (equivalent to approximately \$106,600) of the OMAG Final Equity Investment has been advanced by Oimage, Inc. to Oimage LLC.
- (iii) The result of the foregoing is that Oimage, Inc. presently owns sixty percent (60%) of Oimage LLC.

As of the date hereof, the ownership percentage of each Oimage LLC shareholder and the total investment made into and cash advances made to Oimage LLC by each Oimage LLC shareholder is as follows:

Oimage LLC					
Shareholder	Percent Ownership		Investment (Omani Rials)	Investment (US Dollars)	Cash Advances (Omani Rials)
Oimage, Inc.	60	%	90,000	\$234,000	41,000
RCA	25	%	37,500	\$97,500	
CCC-Panama	10	%	15,000	\$39,000	
CCC-Oman	5	%	7,500	\$19,500	
Total Capital:	100	%	150,000	\$390,000	

Pursuant to the terms of the Shareholder Agreement, Oimage LLC will, subsequent to the signing of the DA, transform its corporate structure (the “Transformation”) from a limited liability company into a joint-stock company (“Oimage SAOC”). Subsequent to the Transformation and to all of the above-mentioned shareholder investments being made, the ownership percentage of each Oimage SAOC shareholder and the total investment by each such shareholder into Oimage SAOC will be as follows:

Oimage SAOC			
Shareholder	Percent Ownership	Investment (Omani Rials)	Investment (US Dollars)
Oimage, Inc.	60 %	300,000	\$ 780,000
RCA	25 %	7,678,125	\$19,963,125 + PIK
CCC-Panama	10 %	12,673,333	\$32,950,666
CCC-Oman	5 %	6,336,667	\$16,475,334
Total Capital:	100 %	26,988,125	\$70,169,125 + PIK

The Shareholder Agreement defines the “Financing Agreement Date” as the day upon which Oimage LLC and an investment fund, lender or other person first execute and deliver a legally binding agreement pursuant to which such investment fund, lender or other person agrees to provide debt financing for the first phase or for any or all phases of the Oimage Project.

Oimage, Inc. and JOL made the 20,000 Omani Rial (\$52,000) OMAG Initial Equity Investment into Oimage LLC in 2009.

Oimage, Inc. and the New Shareholders invested a further 130,000 Omani Rials (\$338,000) into Oimage LLC pursuant to the Shareholder Agreement. Oimage LLC is presently capitalized at 150,000 Omani Rials (\$390,000).

Oimage, Inc. will make the 210,000 Omani Rial (\$546,000) OMAG Final Investment into Oimage LLC after the DA is signed and Oimage LLC will then be capitalized at 360,000 Omani Rials (\$936,000). As of the date hereof, Oimage, Inc. has advanced 41,000 Omani Rials (\$106,600) of the OMAG Final Equity Investment to Oimage LLC in order to maintain Oimage LLC’s liquidity.

The New Shareholders will make an additional 26,628,125 Omani Rial (\$69,233,125) investment (the “Deferred Cash Investment”) into Oimage LLC after the Financing Agreement Date occurs and Oimage LLC will then be capitalized at 26,988,125 Omani Rials (\$70,169,125).

The capital of Oimage LLC will likely be increased further at a later date if and when the non-cash valuation of the PIK is recorded as a capital investment into Oimage LLC.

The Shareholder Agreement also memorializes the PIK capital contribution being made into Oimage LLC by RCA. The PIK represents a portion of RCA’s payment to Oimage LLC for its 25% ownership of Oimage LLC. The value of the PIK will equal the value to Oimage LLC that is ultimately assigned to the provision to Oimage LLC of the approximately 245 acres of beachfront land constituting the Oimage Site which His Majesty the Sultan owned and transferred to the MOT for the specific purpose of having Oimage LLC develop it into the Oimage Project. After the DA is signed, the value of the PIK will be determined by a professional valuation expert in accordance with Omani law and with the concurrence of Oimage LLC’s independent auditor, Deloitte & Touche, (M.E.) & Co. LLC.

The Shareholder Agreement defines the “Pre-Development Expense Amount” as the total amount of Oimage Project related expenses incurred by Oimage, Inc. and JOL prior to the signing of the DA. Such Pre-Development Expense Amount expenses were heretofore incurred by Oimage, Inc. and JOL and continue to be incurred by Oimage, Inc. with respect to the planning, concept design, re-design, engineering, financing, capital raising costs and promotion of the Oimage Project and the negotiation and conclusion of the DA with the Government.

The Shareholder Agreement (i) estimates that, as of the date of the Shareholder Agreement (April 20, 2011), the Pre-Development Expense Amount was approximately nine (9) million U.S. dollars, and (ii) defines the Success Fee as being equal to ten (10) million dollars.

As provided for in the Shareholder Agreement, Oimage, Inc. will receive payment in full from Oimage LLC of:

- (i) the Pre-Development Expense Amount and,
- (ii) the \$10 million Success Fee.

The Shareholder Agreement also defines the date subsequent to the Financing Agreement Date when Oimage LLC draws down the first amount of debt financing as the “Draw Date”.

The ten (10) million dollar Success Fee will be paid to Oimage, Inc. in five annual two (2) million dollar installments beginning on or within ten (10) days after the Draw Date.

Fifty percent (50%) of the Pre-Development Expense Amount will be paid to Oimage, Inc. on or within ten (10) days after the Draw Date and the remaining fifty percent (50%) will be paid to Oimage, Inc. in five equal annual installments beginning on the first anniversary of the Draw Date.

Management presently intends to pursue the sale of a further percentage of Oimage LLC’s equity to one or more investors as soon as reasonably possible subsequent to the signing of the DA and management presently believes it can maintain Oimage, Inc.’s majority control of Oimage LLC while successfully selling such Oimage LLC equity to new investors. Management remains optimistic that subsequent to the signing of the DA, Oimage LLC will be able to sell a percentage of its equity to one or more investors for an amount in excess of the average cash investment amount paid by the New Shareholders.

As specified above, the total amount of cash investments into Oimage LLC by Oimage, Inc. and the New Shareholders (the OMAG Initial Investment plus the New Investment) will be 26,988,125 Omani Rials which is equivalent to approximately \$70,169,125 (the “Cash Capital”) and although Oimage, Inc. and the New Shareholders

will have invested an aggregate of 360,000 Omani Rials (equivalent to approximately \$936,000) before the Financing Agreement Date, 98.7% of such Cash Capital or 26,628,125 Omani Rials, which is equivalent to approximately \$69,233,125, (the “Deferred Cash Investment”) will not be invested by the New Shareholders or received by Oimage LLC until the Financing Agreement Date.

The Financing Agreement Date is presently projected by management to occur within twelve months after the signing of the DA. If however the financial resources are available to Oimage, Inc., then Oimage, Inc. and Oimage LLC may at their option, choose to trigger the Financing Agreement Date earlier (and thereby trigger the \$69,233,125 Deferred Cash Investment into Oimage LLC) by having Oimage, Inc. make a secured loan to Oimage LLC to finance the first phase of the development of the Oimage Project. The first phase of the development of the Oimage Project is expected to constitute primarily initial design work and its scope and budgeted cost will be decided upon by Oimage LLC shortly after the DA is signed. Pursuant to the provisions of the Shareholder Agreement, the date on which such a loan from Oimage, Inc. to Oimage LLC is made, if it is made, would constitute a Financing Agreement Date and would therefore trigger the injection into Oimage LLC of the \$69,233,125 Deferred Cash Investment.

While it will have the financial capacity to undertake certain limited initial planning and design activities after the DA is signed, if Oimage LLC wishes to begin more extensive design and development activities shortly after the DA is signed, it will have to accelerate the timing of the first Financing Agreement Date or sell additional equity or raise additional alternative financing (or a combination of some or all of the foregoing). Otherwise Oimage LLC will have to wait until the debt financing and Deferred Cash Investment are received after the first Financing Agreement Date occurs in order to perform such extensive design and development activities.

The Shareholder Agreement also memorializes the PIK capital contribution being made into Oimage LLC by RCA. The PIK represents a portion of RCA's payment to Oimage LLC for its 25% ownership of Oimage LLC. The value of the PIK will equal the value to Oimage LLC that is ultimately assigned to the provision to Oimage LLC of the approximately 245 acres of beachfront land constituting the Oimage Site which His Majesty the Sultan owned and transferred to the MOT for the specific purpose of having Oimage LLC develop it into the Oimage Project. After the DA is signed, the value of the PIK will be determined by a professional valuation expert in accordance with Omani law and with the concurrence of Oimage LLC's independent auditor.

Subsequent to the abovementioned investments being made, the Cash Capital of Oimage LLC will be 26,988,125 Omani Rials (equivalent to approximately \$70,169,125). The total capital of Oimage LLC will likely be increased further at a later date if and when the non-cash valuation of the PIK is recorded as a capital investment into Oimage LLC.

The excellent location of the Oimage Site is universally recognized by local market participants and the significance to the Company of the provision of the Oimage Site to Oimage LLC is enormous. Irrespective of the future PIK valuation as a capital investment, the provision of the Oimage Site to Oimage LLC will be a primary driver of future Company revenue. The benefits accruing to Oimage LLC and the Company from the Oimage Site will be material and significant.

Management believes that the PIK and the Cash Capital are the most important parts of Oimage LLC's capital structure and that they were the most difficult to arrange since they are the highest risk portion of such equity capital structure. As of the date hereof, both the PIK and the Cash Capital are memorialized in the legally binding Shareholder Agreement.

All of the aforementioned investment amounts, ownership percentages and other terms and conditions of the Shareholder Agreement were negotiated by Oimage, Inc. management on behalf of Oimage LLC in arms-length transactions between Oimage LLC and the New Shareholders. Other than their present ownership positions in Oimage LLC, none of the New Shareholders are affiliates of the Company.

The Shareholder Agreement also specifies, among other things, the corporate governance and management policies of Oimage LLC and it provides for the Oimage LLC shares presently owned by JOL to be transferred to Oimage, Inc.

subsequent to the signing of the DA. The foregoing summary of the terms of the Shareholder Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Shareholder Agreement. The Shareholder Agreement is Exhibit 10.3 hereto.

Financial Adviser

BNP Paribas S.A. (“BNPP”) is a French global banking group headquartered in Paris, France with its second global headquarters located in London, England.

On January 2, 2013, Oimage LLC signed a letter of intent (“LOI”) with BNP Paribas, Wholesale Banking, Bahrain through its Corporate & Investment Banking department (“BNP Paribas CIB”) and BNP Paribas Real Estate Property and Management LLC (“BNP Paribas Real Estate”).

The LOI memorializes the parties’ discussions and proposals with regards to the Oimage Project as follows:

- (a) Oimage LLC intends to appoint BNP Paribas CIB as the financial advisor to Oimage LLC and to arrange the financing for the Oimage Project, including evaluating various funding, capital and debt structures available to Oimage LLC; and
- (b) Oimage LLC intends to appoint BNP Paribas Real Estate for real estate advisory services to Oimage LLC and to assist Oimage LLC by, among other things, providing a full financial feasibility assessment and a market feasibility study for the Oimage Project. This study will be utilized by BNP Paribas CIB in arranging the project financing.

The LOI is non-binding and subject to the execution of a definitive agreement between the parties.

As previously disclosed (i) Oimage LLC has held discussions with and received letters of interest and “comfort letters” in support of the Oimage Project from some of the largest banks in the MENA Region including three banks in Oman, and (ii) the Company and Oimage LLC have a longstanding relationship with Bank Muscat SAOG (“BankMuscat”) which is 30% owned by RCA and is the largest financial institution in Oman. After the DA is signed, Oimage LLC plans to nominate an Omani bank to be a joint-venture partner with BNP Paribas CIB with respect to the syndication of the debt financing required for the Oimage Project (“Construction Financing”).

As presently contemplated by the LOI, BNP Paribas CIB (and an Omani bank as its joint-venture partner) will be engaged by Oimage LLC as its financial advisor to assist Oimage LLC in arranging the necessary Construction Financing for the Oimage Project and other financing for Oimage LLC as may be required. We have had extensive discussions with a number of MENA Region financial institutions with respect to such Construction Financing and we are presently in receipt of six “bank comfort letters” in support of the Oimage Project from some of the largest banks in the MENA Region – including three banks in Oman. These discussions will be advanced further and continued by BNP Paribas CIB on our behalf. With BNP Paribas CIB leading this effort, management is optimistic with respect to Oimage LLC’s prospects for arranging the Construction Financing for the Oimage Project but recognizes that given present economic and market conditions, it is not a trivial task and will be challenging. The DA, which is presently agreed and approved (but not yet signed), recognizes and addresses this issue when it states, in relevant part:

“The Government recognises that the Project Company intends to raise limited recourse financing in relation to the Project and that Lenders may expect to be afforded certain rights in relation to it. Accordingly, the Project Company will by or before the completion of twelve (12) months from the Execution Date enter into a written term sheet with the Lenders for the financing of the first phase, any other phase or all of the Project (a “Term Sheet”). If the Project Company has not delivered a copy of such Term Sheet to the Government by or before the expiry of the twelve (12) month period referred to above, this Development Agreement then shall have no further effect.”

MENA Region banks and financial institutions continue to maintain high levels of liquidity but the project financing environment in Oman and the MENA Region remains cautious after the recent worldwide bank liquidity problems

and Eurozone debt crisis. BNP Paribas CIB has deep and wide-ranging expertise in the project financing markets and as part of its normal business activities it is in regular contact with MENA Region banks and international financial institutions regarding the status of and conditions prevailing in the project finance marketplace. The Company is optimistic that BNP Paribas CIB will be able to arrange the necessary project financing for the Oimage Project. Management believes and BNP Paribas CIB concurs, that there is currently a high degree of liquidity and a strong appetite among MENA Region banks and financial institutions for lending to, and investing in, sound development projects in the MENA Region. The banks and other financial institutions and advisers with which we have discussed the Oimage Project (including BNP Paribas CIB and BNP Paribas Real Estate) have been uniformly impressed with the quality of the Oimage LLC shareholders.

Notwithstanding the foregoing, we continue to be of the opinion that the project finance market in Oman remains challenging. The market intelligence garnered by management indicates that local bankers and market participants believe that both transaction volume and pricing in the Omani real estate market are steadily improving. Management plans to obtain third party verification of its assumptions and beliefs by engaging BNP Paribas Real Estate to perform a market feasibility study for the Oimage Project promptly after the DA is signed. BNP Paribas Real Estate will also simultaneously perform a full financial feasibility assessment of the Oimage Project. These studies and assessments will then be utilized by Oimage LLC to fine tune its development plans, and by BNP Paribas CIB in arranging the necessary Construction Financing and other financing for Oimage LLC as may be required.

Assuming the DA is signed in April 2014, the Company should be well positioned to benefit from the ongoing and improving market conditions in both real estate and project financing since, from a timing perspective, Oimage LLC plans to begin a year or more of intensive design and planning activities after the DA is signed, followed by the launch of residential and commercial sales at the Oimage Project. Assuming the DA is signed in April 2014, the launch date for residential and commercial sales would be planned to occur in mid-2015. While management views most of the past delays by the Government as being adverse to the Company's best interests (See: "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"), it recognizes that the continuing recovery of the project finance and local real estate markets will contribute positively to the Company's future prospects if the DA is signed in April 2014.

The financial results of Oimage LLC are included in the consolidated financial results of the Company in accordance with accounting principles generally accepted in the United States. If and when the Financing Agreement Date occurs, the Company will experience a substantial increase in capital of approximately \$42 million which is 60% of the approximately \$70 million of Cash Capital which will be recorded as capital at such time on Oimage LLC's financial statements and reflected in the Company's consolidated financial statements. At or about that same time the Company may experience an additional substantial, but as yet undetermined, increase in its capital, which increase will be equal to 60% of the valuation of the PIK, provided that the value of the PIK is recorded as capital on Oimage LLC's financial statements.

The capital of Oimage LLC, proceeds from the sales, if any, by Oimage LLC of additional equity stakes, bank borrowings and the proceeds from sales of its residential and commercial properties, are expected to be utilized by Oimage LLC to develop the Oimage Project. Oimage LLC's ongoing financial results will be included in the consolidated financial statements of the Company as appropriate for as long as Oimage, Inc. remains a shareholder of Oimage LLC.

Subsequent to the signing of the Development Agreement, the value of the Oimage Site will be definitively determined by a qualified independent real estate appraiser and such valuation will be utilized to determine the value of the PIK. Such appraisal and PIK valuation will be utilized by BNP Paribas CIB in their discussions with banks and other financial institutions in order to arrange the Construction Financing.

The DA as presently contemplated and agreed (but not yet signed) allows for sales and pre-sales of any of the residential or commercial buildings that will be developed and built on the Oimage Site. Because the Oimage Project will be licensed as an ITC, the Project Land underlying such residences or commercial properties may be sold to the buyer of such residences or commercial properties and the freehold title to such Project Land and properties may be transferred to such buyers at the closing of such sales transactions. The increase over the last several years in the value of the Project Land is expected to have a positive effect on revenue from the sale of residential and commercial properties and on the valuation of the PIK.

As is present practice in Oman, the Company anticipates that, all sales contracts with third party purchasers of residential or commercial properties will stipulate the payment to Oimage LLC by such purchasers of (i) a deposit on

signing of such sales contract, and (ii) progress payments during the construction period of the relevant property covered by such sales contract. Since the aggregate of such deposit and progress payments before and during the construction of the relevant property is expected to be approximately 85% of the sales price of the relevant property stipulated in such sales contract, the Company anticipates that (i) the construction costs for the vast majority of such properties will be “owner-financed” by the relevant purchaser, and (ii) it will therefore not be necessary for Oimage LLC to utilize any Construction Financing from its banks in order to pay for such construction costs. Management expects that this commonly accepted sales contract and payment process will significantly benefit Oimage LLC by reducing its aggregate requirements for Construction Financing from its banks.

The UA and DA also obligate Omaxine LLC to pay the Government twenty-five (25) Omani Rials (equivalent to approximately \$65) for each square meter of Project Land purchased directly by Omaxine LLC or sold by Omaxine LLC to any third party during the Term (the "Land Price Payments"). Such Land Price Payments are not due or owing to the Government from Omaxine LLC until the time that Omaxine LLC legally transfers the freehold title to such land to such purchasers, which time will coincide with the closing of the sale of such properties. Such closings will only occur after (i) the properties are fully constructed, and (ii) Omaxine LLC has received final payment from the purchaser of the relevant sales contract amount for such properties. Omaxine LLC's financing profile will therefore be further enhanced since it will not be obligated to make any Land Price Payments to the Government until after it has already received 100% of the contracted sales price amount from the relevant purchaser at the closing when the freehold title to such land and property is transferred to the purchaser.

At the present time, the average selling price for land at the Omaxine Site is conservatively estimated by local real estate agents to be at least 250 Omani Rials (approximately \$650) per square meter.

Other Arab countries in the MENA Region have experienced and are experiencing demonstrations of discontent with the rule of their heads of state and in some cases these demonstrations are being met with violent pushback by some MENA Region governments but this was not and is not the case in politically and economically stable Oman. Notwithstanding the foregoing, Oman has experienced several low-intensity demonstrations against government corruption and with respect to job opportunities and wages for Omanis (a very few of which involved violent behavior) and these have been met by His Majesty and the Government with pro-active positive measures and economic and political initiatives (including an aggressive anti-corruption campaign and widely acclaimed elections) to address the expressed concerns of the citizens of Oman. Short term work stoppages and strikes with respect to labor matters accompanied by non-violent demonstrations now occur from time to time in Oman, but these events as well as several newly organized and legally allowed labor unions and the aforementioned anti-corruption campaign, are now regarded as a normal part of the emerging democratic fabric of Omani society.

The Company continues the preparation for its anticipated future business activities in various ways including but not limited to: (i) recruiting various executive level personnel for both Omaxine, Inc. and Omaxine LLC that will be required to ramp up organizationally for the Omaxine Project, (ii) examining various methods of raising additional capital for both Omaxine, Inc. and Omaxine LLC, (iii) negotiating and concluding the legally binding definitive agreement with BNP Paribas CIB and BNP Paribas Real Estate based upon the terms and conditions outlined in the LOI; (iv) negotiating the outlines of initial contracts with CCC-Oman and the other major vendors, contractors, consultants and employees proposed to be involved in the Omaxine Project, (v) arranging the appropriate and required legal, accounting, tax and other professional services both in Oman and the U.S., (vi) examining various tax structures, (vii) reviewing and complying (to the extent we are presently able) with the listing requirements of various stock exchanges so we may be prepared to apply for such listing(s) as soon as we are eligible, (viii) examining various other matters we believe will enhance shareholder value, and (ix) examining other potential Company revenue streams which are ancillary to, and derivative of, the Omaxine Project.

The Company is a development stage entity and is not expected to generate revenue until after the occurrence of an event - the signing of the Development Agreement for the Omaxine Project - which, as of the date hereof, has not yet occurred. Moreover, revenue from real estate development associated with the Omaxine Project is not expected to occur until subsequent to the Financing Agreement Date. Pursuant to the terms of the Shareholder Agreement, Omaxine, Inc. will derive revenue on and subsequent to the Financing Agreement Date from the payment to it by Omaxine LLC of (i) the \$10 million Success Fee, and (ii) the Pre-Development Expense Amount. The Company plans to enter businesses other than real estate development - and ancillary to and derivative of the Omaxine Project - subsequent to signing the Development Agreement and the Company presently expects to generate ongoing revenue streams from such businesses, but no projections of the amount of such revenue, if any, can be made at this time.

All "forward looking statements" contained herein are subject to, known and unknown risks, uncertainties and other factors which could cause Oimage LLC's and therefore the Company's actual results, financial or operating performance or achievements to differ from management's forecasts for them as expressed or implied by such forward-looking statements. Assumptions and forecasts contained and expressed herein are based on information available to the Company at the time so furnished and such assumptions and forecasts are as of the date hereof and are, in the opinion of management, reasonable. All such assumptions and forecasts are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurances can be given that the assumptions are correct or that the forecasts will be realized. Potential investors are cautioned not to place undue reliance on any such forward-looking statements which speak only as of the date hereof.

Notwithstanding the foregoing forward looking statements, no assurances can be given at this time that the Development Agreement will actually be signed or that the Financing Agreement Date or the anticipated revenues from the Oimage Project will actually occur.

Competition

The real estate development business in Oman is a competitive business populated by companies with substantially greater financial, managerial and personnel resources than Oimage LLC presently possesses. Management believes that the Company's ability to assemble and coordinate a team of experienced American, European and Middle Eastern consultants in a wide variety of specialized fields was crucial to its advancing the Oimage Project to its present status. Each of these consultants, some of whom depending upon future events may become employees of Oimage, Inc. and/or Oimage LLC, are highly experienced in their respective fields. These fields of expertise include the following: strategic planning; visioning; branding; marketing; Islamic scholarship and research; master planning; architecture; city planning; conceptual design; project management; construction management; general contracting; quantity surveying and costing; interior design; landscape design; art; public policy; engineering (structural, civil, mechanical, electrical, marine); Omani law; cultural and exhibition design; interpretative design; tourism; visitor experience design; recreational operations planning and management; investment banking; structured finance; motion based ride technology; film technology; training; and hotel management. In addition the Company's president, Frank J. Drohan, has over 30 years of experience doing business across most of the Middle East and is familiar with the cultural and business environment of the MENA Region. Mr. Sam Hamdan, who is the Company's primary strategic consultant and the Deputy Managing Director of Oimage LLC has over 25 years of experience in the MENA Region. Mr. Hamdan is fluent in Arabic and English and, depending on future circumstances, may become Oimage, Inc.'s President subsequent to the Financing Agreement Date.

Although several of Oimage LLC's competitors have well established businesses and brand reputations, management believes that Oimage LLC's advantages are (i) the uniqueness of the Oimage Project is particularly attractive to the Government; (ii) the Company's and Oimage LLC's senior management have established strong and trusting relationships with the relevant Government officials; (iii) Oimage LLC's intention to engage BNP Paribas CIB to be its financial adviser and BNP Paribas Real Estate to be its real estate adviser; and (iv) the Shareholder Agreement, which strongly demonstrates the serious investors and professionals that have been recruited to assist in the development of the Oimage Project. Company management believes Oimage LLC can successfully compete in this marketplace through a combination of unique development concepts, effective relationship management, highly experienced and well regarded financial and real estate advisers, and the utilization of highly professional, competent and experienced sub-contractors and consultants who are well known to the Government.

Engineering, Design, Content Development and Construction

The Company does not presently own or directly operate any engineering, design, content development or construction companies or facilities but the Company or Oimage LLC may, depending upon events, establish its own in-house design supervision team and/or enter into joint ventures with firms providing such services. To date, the Company has generally conceived the development concepts and defined the "scope of work" and then, as required, contracted with various designers, architects, contractors and consultants in the United States, Europe and the Middle East to perform the specified tasks. There are many such designers, architects, contractors and consultants available with competitive pricing and the Company does not believe that the loss or inability to perform of any such designer, architect, contractor or consultant would have a material adverse impact on its business or operations. The Company believes it maintains a good working business relationship with its designers, architects, contractors and consultants. As presently planned, all copyrights to all material documents, designs and drawings executed by such independent designers, architects, contractors and consultants are, or will be, the property of either Oimage LLC or Oimage, Inc. (See: "Patents, Copyrights and Trademarks").

Subject to the approval of its shareholders and to negotiating and agreeing to a contract, Oimage LLC presently intends to hire Michael Baker Corporation ("Baker") as its Program Manager and Project Manager. Baker is in the business of providing program and project management as well as engineering, design and construction management services to a wide variety of clients including the U.S. Department of Defense and many state governments and commercial clients. The Company has employed Baker through the feasibility and engineering study phases of the Oimage Project and presently anticipates that Oimage LLC will execute an agreement with Baker soon after the signing of the Development Agreement. The Company presently has a contingent obligation to pay Baker an additional fee of \$72,000 for past services, but this fee is only payable if the DA is signed by the Government and Oimage LLC. Baker is headquartered in Pittsburgh, PA, with offices throughout the U.S. and in Abu Dhabi in the United Arab Emirates and is experienced in all aspects of design, program management and construction management for large scale construction and development projects of the magnitude of the Oimage Project. Baker has significant program management and construction management contracts with the United States military worldwide, including in the MENA Region. Baker was recently acquired by Integrated Mission Solutions LLC. What effect, if any, this acquisition will have on the Company's plan to engage Baker as its Program Manager and Project Manager is unknown at this time.

The interpretive design, entertainment content, and visitor experience design candidates to be hired by Oimage LLC have been narrowed to a short list of professional companies. It is presently anticipated that subsequent to the signing of the DA, one or more of such companies ("Content Developers") will be engaged by Oimage LLC to transform the Company's high level strategic vision for the content of the Pearl structures and surrounding areas into physical places offering emotional, intellectual and physical interactions. Each of the prospective Content Developers has serviced a diverse client base, including theme parks, museums, zoos, aquariums and other such complex entertainment centers around the world, including in the MENA Region, and each continues to regularly produce world class attractions globally of the size and scope of the Oimage Project.

In order to move into the actual design and development stage of the Oimage Project, Oimage LLC and the Government must first memorialize their agreement to the DA in a signed written document. All of management's past estimates regarding the timing of the signing of the DA have been incorrect. Management is presently awaiting for a new land deed for the Oimage Site to be procured by MOT from the Ministry of Housing and management expects that immediately thereafter, the DA will be signed by the parties. No date for the DA signing has been set as of the date hereof. In view of the long history of delays by the Government, no assurance can be given at this time when or if the DA will be signed.

Marketing

Oimage, Inc. and JOL have engaged in significant marketing, design, promotional and other activities with respect to the Oimage Project and have to date incurred a significant amount of costs associated with these and other general and administrative activities (the "Pre-Development Expense Amount"). The Pre-Development Expense Amount is associated with travel, consulting and professional fees, planning and feasibility studies, design, engineering, and with similar such activities including preparing and making presentations to the Government of Oman.

Pursuant to the provisions of the Shareholder Agreement the Pre-Development Expense Amount (estimated to be approximately nine million U.S. dollars as of the date of the Shareholder Agreement) will be reimbursed to Oimage, Inc. by Oimage LLC.

Manufacturing and Production

The Company does not engage in any manufacturing activities and as such does not maintain any inventory. In the future, Oimage LLC may maintain an inventory of residential and/or commercial properties held for sale to third parties.

Patents, Copyrights and Trademarks

It is presently intended that either Oimage, LLC or Oimage, Inc. will own (either outright or by assignment) the copyrights to all the material documents, designs and drawings produced and/or executed in relation to the Oimage Project by its employees and/or independent designers, architects and consultants.

Oimage, Inc. has filed trademark applications with the United States Patent and Trademark Office ("USPTO") for the mark OMAGINE and six related marks (collectively, the "Marks"). Oimage, Inc. has also filed trademark applications for the Marks in Oman and Kuwait within the applicable time periods required.

The mark OMAGINE and three of the six related Marks have each been issued a Certificate of Registration from the USPTO and are now officially registered Marks in the United States.

The USPTO issued a "Notice of Allowance" with respect to each of the remaining three related Marks (the "Expired Marks") and the applications for such Expired Marks could have been approved for registration upon the filing of a valid "Statement of Use" attesting that each such Expired Mark was in commercial use. Due to the delays encountered by the Company in signing the DA, the Expired Marks were not put into commercial use by the "Final Statement of Use Deadline" and all three applications for the Expired Marks have expired. The Expired Marks remain of interest to the Company and, depending upon future circumstances, we may file new trademark applications for the Expired Marks with the USPTO.

Trademark applications for the OMAGINE Mark and eight related Marks were filed in Oman and all have now been issued Certificates of Registration in Oman. The Mark OMAGINE has been issued a Registration Certificate from the Patent and Trademark Department of the Ministry of Commerce & Industry in Kuwait.

Government Regulation

The Company expects that Oimage LLC will require several Omani governmental licenses, permits and approvals for its properties, services and products during the development, construction and operation of the Oimage Project (collectively, "Licenses and Permits"). The obligation of the Government of Oman to issue all such Licenses and Permits as may be required is specifically detailed in the DA.

The Company does not anticipate any negative effects on its or Oimage LLC's business from any existing or probable Omani government laws or regulations. Oimage LLC will incur certain costs and sustain certain effects on its operations as a consequence of its compliance with Omani laws, including environmental laws and regulations, and all such costs and effects are expected to occur as part of the normal course of its business.

The Company does not require any U.S. governmental approval of its properties, services, products or activities in Oman nor does the Company anticipate any negative effects on its business from any existing or probable United States or Oman government laws or regulations. Both the Government of the United States and the Government of the Sultanate of Oman have ratified the U.S.- Oman Free Trade Agreement.

Employees, Consultants and Employment Benefits

As of the date hereof, we have five employees and eleven consultants. We presently plan to hire eight of such consultants as full time employees of Oimage, Inc. or Oimage LLC subsequent to the signing of the DA. None of our employees are represented by a labor union for purposes of collective bargaining. We consider our relations with our employees and consultants to be good. Subsequent to the signing of the Development Agreement the Company intends to significantly increase the number of its full time employees. (See "Executive Compensation" – "Employment Agreements and Consulting Agreement").

Item 1A. Risk Factors.

An investment in our Common Shares is subject to risks inherent to our development stage business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report including information in the beginning section of this report entitled "Forward Looking Statements".

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. This report is qualified in its entirety by these risk factors.

If one or more, or a combination of any of the following risks actually materialize into a negative event or circumstance, our business, financial condition and/or our results of operations could be materially and adversely affected. If this were to happen, the value of our Common Stock could decline significantly.

Risk Factors Related to Our Company and Our Business

We have experienced extraordinary delays in getting the Development Agreement with the Government of Oman signed.

As of the date hereof, the DA governing the development and ownership of the Oimage Project has not yet been signed by our 60% owned subsidiary and the Government of Oman. We have been negotiating this DA with the

Government for many years now and have experienced many delays in the process. On February 13, 2014, the Ministry of Tourism (“MOT”) proposed a slight variation to the boundaries of the Oimage Site (the “New Boundaries”). On February 17, 2014, Oimage LLC accepted and agreed to the New Boundaries. On February 18, 2014, Oimage LLC delivered copies of the final Oimage DA to MOT (the “Final DA”). On March 3, 2014, the Company’s president, Frank Drohan, spoke to the Minister of Tourism, His Excellency Ahmed Al-Mahrizi, who informed Mr. Drohan that (i) the Final DA was acceptable, and (ii) MOT had now determined that, since the land for the Oimage Site came from His Majesty, the Sultan, it was also necessary that the Office of Royal Court Affairs consent to the New Boundaries. On March 10, 2014, Mr. Drohan met with Mr. Al-Yahyai of RCA and explained the above matter of the New Boundaries in detail and delivered drawings of the New Boundaries proposed by MOT to Mr. Al-Yahyai. Mr. Al-Yahyai called the President of H.E. Al-Kindi’s office, explained the matter to him and was asked by the President of the RCA Minister’s office to send an official letter in Arabic (not an email) from Oimage LLC to H.E. Al-Kindi explaining the matter and attaching the drawings. On March 11, 2014, Mr. Drohan delivered the letter from Oimage LLC (in Arabic) and the attached drawings requested to Mr. Al-Yahyai at RCA. On March 13, 2014, Mr. Al-Yahyai delivered Mr. Drohan’s letter to H.E. Al-Kindi along with the attached drawings and a covering memorandum from Mr. Al-Yahyai. On March 18, 2014, RCA wrote to MOT consenting to the New Boundaries. On March 26, 2014 MOT informed the Company that it had received RCA’s consent letter and would procure the New Krooki from MOH. We are presently waiting for MOT to receive the New Krooki from MOH. No date for the DA signing has been set as of the date hereof but management presently expects that the DA signing is imminent.

To the best knowledge and belief of the Company and its attorneys, and based on management's previous meetings and conversations with the Minister of Tourism, other than the requirement to obtain an updated land deed for the Oimage Site, no further barrier to signing the DA exists as of the date hereof and both we and the Government now agree that all matters with respect to the DA have been resolved. We have however been at similar points with the Government in the past and in all of those instances the Government raised new and often pointless issues at the last minute. Although there have been extraordinary delays to date by the Government, the Company believes, based on continued assurances from the Government, that the Government remains eager to conclude and sign the DA. No assurance, however, that the DA will actually be signed can be given at this time. (See: "Description of Business - The Development Agreement").

We are a development stage entity with no history of profitability from the development of real estate and we have incurred significant losses and cannot assure you that we will be profitable in the near term or at all.

The Company is a development stage entity ("DSE") as defined in ASC 915 issued by the Financial Accounting Standards Board. We have dedicated the vast majority of our financial resources over the past many years toward the effort to conclude the Development Agreement ("DA") with the Government of Oman with respect to the Oimage Project. We have encountered numerous delays and as of the date hereof the DA has not yet been signed. As a result we have incurred significant losses over the past few years, including net losses of \$2,640,590 for the fiscal year ended December 31, 2013 and \$2,789,976 for the fiscal year ended December 31, 2012, primarily due to an absence of revenue due to our being a DSE and to expenses, including significant non-cash expenses related to stock options, associated with the design, development and promotion of the Oimage Project. We expect to continue to incur such losses and expenses over the near term, which will adversely impact our overall financial performance and results of operations. The Oimage Project may never come to fruition, and if it does it still may never result in a profit to the Company. Sales of our proposed real estate development properties, and income, if any, from the Oimage Project may never generate sufficient revenues to fund our continuing operations. We cannot assure you that we will be profitable in the near term or at all.

Because of our status as a DSE and our limited history and the potential for competition, an investment in our Company is inherently risky.

Because we are a development stage company with a limited history, our operations are subject to numerous risks similar to those of a start-up company. We expect the real estate development business to be highly competitive because many developers have access to the same market. Substantially all of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. We cannot assure you that we will have the necessary resources to be competitive.

Our ability to use net operating loss carryovers to reduce future tax payments may be limited or restricted.

We have generated significant net operating losses ("NOLs") as a result of our recent losses. We generally are able to carry NOLs forward to reduce taxable income in future years. However, our ability to utilize the NOLs is subject to the rules of Section 382 of the Internal Revenue Code. Section 382 generally restricts the use of NOLs after an "ownership change." An ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, 5% or more of a corporation's common stock or are otherwise treated as 5% shareholders under Section 382 and the Treasury regulations promulgated thereunder increase their aggregate percentage ownership of that corporation's stock by more than 50 percentage points over the lowest percentage of the stock owned by these shareholders over a three-year rolling period. In the event of an ownership change, Section 382 imposes an annual limitation on the amount of taxable income a corporation may offset with NOL carry forwards. This annual limitation is generally equal to the product of the value of the corporation's stock on the date of the ownership, multiplied by the long-term tax-exempt rate published monthly by the Internal Revenue

Service. Any unused annual limitation may be carried over to later years until the applicable expiration date for the respective NOL carry forwards.

We do not believe that the Rights Offering and Warrant Distribution caused an “ownership change” within the meaning of Section 382. However, we cannot ensure that our ability to use our NOLs to offset income will not become limited in the future. As a result, we could pay taxes earlier and in larger amounts than would be the case if our NOLs were available to reduce our federal income taxes without restriction. At December 31, 2013, the Company had federal NOLs of approximately \$14,104,000, expiring in various amounts from fiscal year 2017 to fiscal year 2033. Current United States income tax law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs.

We may not be able to conduct successful operations in the future.

The results of our operations will depend, among other things, upon our ability to develop and market the Oimage Project. Furthermore, our proposed operations may not generate income sufficient to meet operating expenses or may generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain ourselves. Our operations may be affected by many factors, some known by us, some unknown, and some which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an ongoing enterprise and might cause the investment of our shareholders to be impaired or lost.

While our 2013 audited financial statements assume we will continue our operations on a going concern basis, the opinion of our independent auditors on those financial statements contained an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern.

The opinion of our independent auditors on our 2013 audited financial statements states that the presentation of the Company's financial statements is in accordance with the guidance contained in ASC 915 for financial statements of development stage entities, and such opinion also contained an explanatory paragraph that there is substantial doubt about our ability to continue as a going concern. Our audited financial statements were prepared under the assumption that we will continue our operations on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. Our financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. Although we have entered into the SEDA (as hereinafter defined) and have recently raised additional capital via the Rights Offering and private placements of our Common Stock, if we sustain unanticipated losses and we cannot continue as a going concern, our shareholders may lose all of their investment in the Company.

To fully develop our business plan we will need additional financing.

We expect to continue to rely principally upon the financing received as a result of sales of Common Stock made pursuant to the SEDA (See: "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"). For the past several years we have relied principally upon financing from sales of Common Stock made pursuant to the SEDA (as hereinafter defined), the Rights Offering and the First SEDA. We have also raised limited private placement funds during the past several years and may be required to do so in the future. We cannot guarantee the success of this plan. We will have to obtain additional financing in order to conduct our business in a manner consistent with our proposed operations. There is no guaranty that additional funds will be available when, and if, needed. If we are unable to obtain financing, or if its terms are too costly, we may be forced to curtail expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our operations and our shareholders' investment. It is impossible to predict if any Warrants will ever be exercised because the market price of a Common Share as of the date hereof is lower than either of the Warrant Exercise Prices. Although we cannot be absolutely certain, the Company believes that there is virtually no probability that any Warrants will be exercised unless the market price for a share of the Company's Common Stock trades materially above the relevant Warrant Exercise Price prior to the Warrant Expiration Date or Redemption Date. (See: "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Rights Offering and Warrant Distribution").

We anticipate that we will be subject to intense competition.

We will face intense competition in the development of real estate in Oman. Other developers have started developing real estate in nearby areas with similar residential developments.

Even after the Rights Offering and entering into the SEDA, we lack capital.

Even after the conclusion of the Rights Offering in 2012 and our entry into the SEDA, we will require additional funds to sustain our operations as presently contemplated. There can be no guaranty that such additional funds will be available in the future. If we are unable to obtain additional financing as required, or if its terms are too costly, we may be forced to curtail the expansion of our operations until such time as alternative financing may be arranged which could have a materially adverse impact on our operations and our shareholders' investments.

Our ultimate success will be dependent upon management.

Our success is dependent upon the skill and decision making ability of our directors and executive officers, who are Frank J. Drohan, Charles P. Kuczynski, Louis J. Lombardo, William Hanley and Sam Hamdan. The loss of any or all of these individuals could have a material adverse impact on our operations. We do not presently have a written employment agreement with any of our officers or directors (See: “Executive Compensation – Employment Agreements”). We have not obtained key man life insurance on the lives of any of these individuals. Our success depends in large part on our ability to attract and retain key people and consultants. If we are not able to retain and recruit qualified personnel, which we require now and will require to conduct our operations after the DA is signed, our business and our ability to successfully implement our business plan could be adversely affected.

We will rely on dividends from Oimage LLC for most of our revenue.

Because we are a holding company with no significant operations other than the proposed operations of our 60% owned subsidiary, Oimage LLC, we will depend upon dividends from Oimage LLC for a substantial portion of our future revenues. Oimage LLC has generated no revenue to date and we do not anticipate that Oimage LLC will be in a position to pay dividends until after the development of the Oimage Project is well underway, an event that, as of the date hereof, is uncertain to occur.

We are subject to risks associated with investments in real estate.

The value of our proposed properties and our projected income therefrom may decline due to developments that adversely affect real estate generally and those that are specific to our proposed properties. General factors that may adversely affect our potential real estate holdings include:

- increases in interest rates;
- adverse changes in foreign exchange rates;
- a decline in prevailing rental rates for the properties we intend to own and lease;
- a general tightening of the availability of credit and project financing facilities;
- a decline in economic conditions in Oman;
- an increase in competition for customers or a decrease in demand by customers for the residential and commercial properties we plan to develop and offer for sale;
- a decline in prevailing sales prices for the properties we intend to develop and offer for sale;
- an increase in supply in Oman of property types similar to those proposed to be developed by us;
- declines in consumer spending during an economic recession or recovery from an economic recession that adversely affect our revenue; and
- the adoption by the relevant government authorities in Oman of more restrictive laws and governmental regulations, including more restrictive zoning, licensing, land use, building or environmental regulations or increased real estate taxes.

Additional factors may adversely affect the value of our proposed properties and our projected income therefrom, including:

- failure to sign a development agreement with the Government of Oman;
- adverse changes in the perceptions of prospective purchasers or users of the attractiveness of the properties proposed to be developed by us;
-

opposition from local community or political groups with respect to development or construction at a particular site;

- a change in existing comprehensive zoning plans or zoning or environmental or business licensing regulations that impose additional restrictions on use or requirements with respect to the properties proposed to be developed by us;
- our inability to provide adequate management and maintenance or to obtain adequate insurance for the properties proposed to be developed by us;
- an increase in operating costs;
- new development of a competitor's property in close proximity to the Oimage Project;
- earthquakes, floods or underinsured or uninsured natural disasters; and
- terrorism, political instability or civil unrest in Oman or the MENA Region.

The occurrence or existence of one or more of the events or circumstances described above could result in significant delays or unexpected expenses. If any of these events occur or circumstances come into existence, we may not achieve our projected returns on the Oimage Project and we could lose some or all of our investment in Oimage LLC and in the Oimage Project.

We are subject to risks associated with real estate development.

The Oimage Project is subject to significant risks relating to Oimage LLC's ability to complete it on time and within budget. Factors that may result in the Oimage Project or any other development project we may undertake in Oman or elsewhere exceeding budget or being prevented from completion include:

- an inability to obtain or delays in obtaining zoning, environmental, occupancy or other required governmental permits, approvals and authorizations;
- an inability to secure sufficient financing on favorable terms, including an inability to obtain or refinance construction loans;
- a general tightening of the availability of credit and project financing facilities;
- the prices of housing and commercial properties in Oman and consumer and/or business confidence; any of which could affect Oimage LLC's ability to construct and/or sell homes and to construct, sell and/or lease commercial properties and/or to secure financing;
- construction delays or cost overruns, either of which may increase project development costs; and
- an increase in commodity costs.

If any of the forgoing occurs or exists, we may not achieve our projected returns on the Oimage Project and we could lose some or all of our investment in Oimage LLC and in the Oimage Project or in other properties we may then have under development.

We are vulnerable to concentration risks because our proposed operations are presently exclusively in Oman and our future operations are planned to be exclusively in Oman and the MENA Region market. Our real estate activities are presently concentrated exclusively on the Oimage Project to be located in Oman. Because of such geographic and project specific concentration, our operations are more vulnerable to Oman and MENA Region economic downturns and adverse project-specific events than those of larger, more diversified companies.

The performance of Oman's economy will greatly affect the values of the properties proposed to be developed by us and consequently our prospects for sales and revenue growth. The Oman economy is heavily influenced by the prices of crude oil and natural gas which are Oman's main export products and sources of revenue. Fluctuations in the international price of crude oil directly affect Oman's revenue and budget considerations and a decrease in government supported projects and employment because of budget cuts or otherwise, could adversely affect the economy in Oman.

Our results of operations and financial condition will be greatly affected by the performance of the real estate industry.

Our real estate activities are, and will continue to be, subject to numerous factors beyond our control, including local real estate market conditions in Oman and in areas where our potential customers reside, substantial existing and potential competition, general economic conditions in Oman, the MENA Region and internationally, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by economic or political circumstances, market fundamentals, competition or demographic conditions. Because of the effect these factors may have on real estate values and because of the long length of the project development cycle, the future sales prices for our individual proposed properties or the future level of our sales revenue from the operation, sales and/or leasing of our various proposed properties, is impossible to predict with certainty and difficult to predict

with accuracy.

Our real estate operations will also be dependent upon the availability and cost of mortgage financing for our potential customers to the extent they finance the purchase of the residences or commercial properties we intend to develop and offer for sale.

The real estate business is very competitive and many of our competitors are larger and financially stronger than we are.

The real estate business is highly competitive. We compete with a large number of companies and individuals, and most of them have significantly greater financial, managerial and other resources than we have. Our competitors include local developers who are committed primarily to the Oman market and also international developers who acquire properties throughout the MENA Region. Because we are a development stage company with a limited history, our operations are subject to numerous risks similar to those of a start-up company. We cannot assure that we will have the necessary resources to be competitive.

Our operations are subject to political risks.

The recent and ongoing civil and political unrest in the MENA Region, the U.S. and NATO military intervention in Iraq, Afghanistan and Libya, the terrorist attacks in the U.S., Europe and the MENA Region, and the potential for additional future terrorist acts and civil and/or political unrest have created economic, political and social uncertainties that could materially and adversely affect our business. Further acts of civil and/or political unrest or terrorism could be directed against the U.S. or Oman either domestically or abroad. These acts of terrorism or civil unrest could be directed against properties and personnel of American companies that work abroad, particularly companies such as ours that operate in the MENA Region. Recent and ongoing anti-corruption trials in Oman involving alleged bribery involved in contract administration and awards (especially in the oil sector) involving dozens of government officials and private individuals, including two senior executives of CCC-Oman, have been ongoing in Muscat's Court of First Instance. Results of these trials are now regularly reported in the local newspapers and to date, the trials have returned verdicts against several high-profile government officials and business people, including a senior CCC-Oman executive. Although, the Company is not involved in any way and does not foresee any impact on its business or that of Oimage LLC as a result of the ongoing anti-corruption campaign or as a result of any present or future outcome therefrom, because CCC-Oman is a shareholder of Oimage LLC, it is possible, though quite unlikely, that the aforementioned involvement of an executive at CCC-Oman may, for political considerations unknown to us, adversely affect Oimage LLC's reputation in Oman. Civil and/or political unrest, terrorism, war, political considerations, and/or military developments may materially and adversely affect our business and profitability and the prices of our Common Stock in ways that we cannot predict at this time.

Our operations are subject to natural risks.

Our performance may be adversely affected by weather conditions that delay development or damage property.

Risk Factors Related to Our Common Stock

Our stock price may be volatile and you may not be able to resell your shares at or above your purchase price.

There has been and continues to be a limited public market for our Common Stock. Although our Common Stock trades on the OTCQB, an active trading market for our shares has not developed and may never develop or be sustained. If you purchase shares of our Common Stock, you may not be able to resell those shares at or above the price you paid. The market price of our Common Stock may fluctuate significantly in response to numerous factors, some of which are beyond our control, including the following:

- failure to sign the DA with the Government of Oman;
- the exercise of Warrants;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates by securities analysts or our failure to perform in line with such estimates;
- changes in market valuations of other real estate companies, particularly those that sell products similar to ours;
- announcements by us or our competitors of significant innovations, acquisitions, strategic investors or partnerships, joint ventures or capital commitments; or
- departure of key personnel.

Much of our Common Stock is currently restricted. As restrictions on resale end, the market price of our Common Stock could drop significantly if the holders of restricted shares sell them or are perceived by the market as intending to sell them. This could cause the market price of our Common Stock to drop significantly, even if our business is

doing well.

Our Common Stock has a limited public trading market.

While our Common Stock currently trades on the OTCQB, the market for our Common Stock is limited and sporadic. We cannot assure that such market will improve in the future, even if our Common Stock is ever listed on a national stock exchange. We cannot assure that an investor will be able to liquidate his investment without considerable delay, if at all. If a more active market for our Common Stock does develop, the price may be highly volatile. The factors which we have discussed in this document may have a significant impact on the market price of our Common Stock. The relatively low price of our Common Stock may keep many brokerage firms from engaging in transactions in our Common Stock.

The over-the-counter market for stock such as ours has had extreme price and volume fluctuations.

The securities of companies such as ours have historically experienced extreme price and volume fluctuations during certain periods. These broad market fluctuations and other factors, such as new product developments and trends in our industry and in the investment markets generally, as well as economic conditions and annual variations in our operational results may have a negative effect on the market price of our Common Stock.

Additional stock offerings may dilute current stockholders.

Given our plans and our expectation that we will need additional capital and personnel, we may need to issue additional shares of capital stock or securities convertible into or exercisable for shares of capital stock, including preferred stock, options or warrants. The issuance of additional shares of capital stock for any of these reasons or pursuant to the exercise of Warrants may dilute the ownership of our current stockholders.

Our management collectively beneficially owns approximately 30.7% of our Common Stock and this concentration of ownership may have the effect of preventing a change in control.

Assuming their ownership of the shares of Common Stock underlying unexercised Stock Options and Warrants, our officers and directors collectively beneficially own approximately thirty and seven-tenths percent (30.7%) of our shares of Common Stock (See: "Security Ownership of Certain Beneficial Owners and Management"). As a result, if our officers and directors act in concert, they will have the ability by virtue of their voting power to exercise substantial influence over our business with respect to the election of directors and all other matters requiring action by stockholders. Such concentration of share ownership may have the effect of discouraging, delaying or preventing a change in control of the Company.

Our ability to issue preferred stock may adversely affect the rights of holders of our Common Stock and may make takeovers more difficult, possibly preventing you from obtaining the optimal share price.

Our Certificate of Incorporation authorizes the issuance of shares of "blank check" preferred stock, which would have the designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of the Common Stock. The issuance of preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company.

Our Common Stock is subject to the "penny stock" rules of the SEC, which may make it more difficult for you to sell our Common Stock.

The SEC has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require that:

the broker or dealer approve a person's account for transactions in penny stocks; and
the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

obtain the financial information and investment experience and objectives of the person; and

make a reasonable determination that (a) transactions in penny stocks are suitable for that person, and (b) the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

sets forth the basis on which the broker or dealer made the suitability determination;

and

states that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The regulations applicable to penny stocks may severely affect the market liquidity for the shares of our Common Stock owned by you and could limit your ability to sell such securities in the secondary market.

As an issuer of “penny stock”, the protection provided by the federal securities laws relating to forward looking statements does not apply to us.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, we will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading. Such an action could hurt our financial condition.

Other than the distribution of the Rights and Warrants in our 2012 Rights Offering and Warrant Distribution, we have not paid dividends in the past and do not expect to pay dividends in the future unless and until dividends are paid to Oimage, Inc. by Oimage LLC. Any return on your investment may therefore be limited to the value of our Common Stock.

We have never paid cash dividends on our Common Stock and do not anticipate paying cash dividends in the foreseeable future. Up until this time the Company has utilized all cash reserves for the operation of its business and the Company plans to continue this policy for the foreseeable future. Any future payment of dividends on our Common Stock will depend on the payment of dividends to Oimage, Inc. by Oimage LLC and, as the Board of Directors may consider relevant, our earnings, financial condition and other business and economic factors at such time. If we do not pay cash dividends, our Common Stock may be less valuable because a return on your investment will only occur if the price of our Common Stock appreciates above the price you paid for it.

There are substantial risks associated with the SEDA with YA which could contribute to the decline of the price of our Common Stock and have a dilutive impact on our existing stockholders

In order to obtain needed capital, we entered into the SEDA with YA. The sale of our Common Shares pursuant to the SEDA will have a dilutive impact on our stockholders. We believe YA intends to promptly re-sell the shares that we sell to it under the SEDA. Such re-sales could cause the market price of our Common Stock to decline significantly. Any subsequent sales by us to YA under the SEDA may, to the extent of any such decline, require us to issue a greater number of shares of Common Stock to YA in exchange for each dollar of such subsequent sale. Under these circumstances our existing stockholders would experience greater dilution. The sale of our Common Stock under the SEDA could encourage short sales by third parties which could contribute to the further decline of the price of our Common Stock.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company maintains its corporate office at The Empire State Building, Suite 4815-17, 350 Fifth Avenue, New York, N.Y. 10118. The premises are leased by the Company under a lease expiring December 31, 2015. Oimage LLC leases office space in Muscat, Oman under a lease expiring December 31, 2014.

Item 3. Legal Proceedings.

The Company is not a party to any legal proceedings which would have a material adverse effect on it or its operations.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock

Our Common Stock is quoted and traded on the OTCQB under the symbol "OMAG". The following table sets forth the range of high and low bid information for the Common Stock as reported by the OTCQB during the quarterly periods indicated. The table reflects inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Quarter Ended	High	Low
3/30/12	\$ 1.40	\$ 1.10
6/29/12	\$ 1.52	\$ 1.21
9/28/12	\$ 1.83	\$ 1.53
12/31/12	\$ 1.70	\$ 1.51
3/30/13	\$ 2.03	\$ 1.25
6/29/13	\$ 1.94	\$ 1.07
9/28/13	\$ 1.55	\$ 0.68
12/31/13	\$ 1.25	\$ 0.73

At April 11, 2014, Oimage, Inc. had 15,454,898 shares of its Common Stock issued and outstanding, and there were approximately 1,074 holders of such Common Stock.

Dividends and Dividend Policy

The holders of our Common Stock share proportionately, on a per share basis, in all dividends and other distributions declared by our Board of Directors. On January 12, 2012, our Board of Directors declared a dividend distribution of Rights and Warrants to our shareholders. Other than the foregoing non-cash dividend distribution, we have not declared any dividends on our Common Stock since inception and do not anticipate paying cash dividends in the foreseeable future. We plan to retain any future earnings for use in our business operations. Any future decisions as to payment of cash or non-cash dividends or distributions on our Common Stock will be at the discretion of the Board of Directors and will depend upon our earnings and financial position at such time and on such other factors as the Board of Directors may then deem relevant.

Securities authorized for issuance under equity compensation plans

The Company's shareholders approved the reservation by the Company of two million five hundred thousand (2,500,000) shares of Common Stock for issuance pursuant to stock options ("Stock Options") under the 2003 Oimage Inc. Stock Option Plan (the "2003 Plan"). At December 31, 2013, there were 2,285,000 unexpired Stock Options issued but unexercised under the 2003 Plan. The 2003 Plan expired on August 31, 2013 and all of the then outstanding Stock Options issued under the 2003 Plan remain valid until the earlier of their exercise date or expiration date.

The following table summarizes information as of the close of business on December 31, 2013 with respect to unexpired and unexercised Stock Options issued under the 2003 Plan.

Equity Compensation Plan Information

Plan Category	Number of shares of Common Stock to be issued upon the exercise of outstanding Stock Options (a)	Weighted average exercise price of outstanding Stock Options (b)	Number of shares of Common Stock remaining available for future issuance under equity compensation plans [excluding shares reflected in column (a)] (c)
Equity compensation plans approved by shareholders (the 2003 Plan)	2,285,000	\$ 1.72	0
Equity compensation plans not approved by shareholders	-0-	-0-	-0-
Total	2,285,000	\$ 1.72	-0-

On March 6, 2014, the Board of Directors approved the adoption of the 2014 Oimage Inc. Stock Option Plan (the “2014 Plan”) pursuant to which three million (3,000,000) shares of Common Stock were reserved for issuance thereunder. The Company intends to seek its shareholders’ ratification of the adoption by the Company of the 2014 Plan. The 2014 Plan is explained further below in Part III, Item 11 of this report under the heading “Equity Compensation Plan Information” and in Note 7 to the accompanying consolidated financial statements for the fiscal year ended December 31, 2013. As of the date hereof, 40,000 Stock Options have been issued under the 2014 Plan.

Performance graph

A performance graph is not required for the Company since it is a smaller reporting company.

Recent sales of unregistered securities

In connection with the SEDA [as hereinafter defined] (See: “Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”), and with the issuance by us of the shares of Common Stock listed below, we relied upon the exemption from securities registration afforded by Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. The offerings and sales were made to a limited number of persons, all of whom were accredited investors, business associates of our Company or executive officers or directors of our Company, and, except with respect to shares issued pursuant to the SEDA, transfer was restricted by our Company in accordance with the requirements of the Securities Act. In addition to representations by the below-referenced persons, we made independent determinations that all of the

below-referenced persons were accredited or sophisticated investors, and that they were capable of analyzing the merits and risks of their investment, and that they understood the speculative nature of their investment. Furthermore, all of the below-referenced persons were provided with access to our SEC filings.

On January 16, 2013, the Company issued 107,500 shares of Common Stock to an investor relations consultant for services rendered valued at \$163,078.

On February 20, 2013, the Company issued and sold 100,000 shares of its Common Stock to a non-U.S. corporation for proceeds of \$125,000.

On April 30, 2013, the Company issued and contributed an aggregate of 55,253 shares of Common Stock valued at \$76,250 to all eligible employees of the Oimage, Inc. 401(k) Plan.

In May 2013, the Company issued and sold an aggregate of 33,889 shares of its Common Stock to two investors for proceeds of \$35,000.

In May and June 2013, the Company issued and sold a total of 103,521 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$145,000.

In July 2013, the Company issued and sold an aggregate of 37,273 shares of its Common Stock to two investors for proceeds of \$40,000.

In July 2013, the Company issued and sold a total of 22,762 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$25,000.

In September 2013, the Company issued 10,000 shares of Common Stock to an investor relations consultant for services rendered valued at \$9,020.

In September 2013, the Company issued and sold a total of 9,686 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$10,000.

In September 2013, the Company issued 5,000 shares of Common Stock to a consultant for services rendered valued at \$5,330.

On October 8, 2013, the Company issued 30,000 shares of Common Stock valued at \$29,520 to an investor relations consultant for 2013 services rendered and 2014 services to be rendered.

In October 2013, the Company issued and sold a total of 10,371 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$10,000.

In December 2013, the Company issued and sold a total of 16,574 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$15,000.

In December 2013, the Company issued 19,988 shares of Common Stock to a consultant for services rendered valued at \$18,189.

On January 10, 2014, the Company issued 34,374 shares of Common Stock valued at \$26,248 to a law firm for legal services.

In January 2014, the Company issued and sold 72,876 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$60,000.

On February 13, 2014, the Company committed to issue and contribute an aggregate of 75,315 shares of Common Stock valued at \$76,250 to all eligible employees of the Oimage Inc. 401(k) Plan.

In February 2014, the Company issued and sold 100,198 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$175,000.

On March 14, 2014, the Company issued and sold 70,000 restricted shares of Common Stock to an accredited investor for proceeds of \$70,000.

On March 28, 2014, the Company committed to issue 3,500 restricted shares of Common Stock valued at 6,101 to a consultant for services rendered.

On April 8, 2014, the Company issued and sold 13,597 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$25,000.

On April 11, 2014, the Company issued and sold 150,000 restricted shares of Common Stock to an accredited investor for proceeds of \$150,000.

Issuer Purchases of Equity Securities

The Company did not purchase any of its issued and outstanding shares of Common Stock during the fiscal year ended December 31, 2013.

Transfer Agent

The transfer agent for our Common Stock is Continental Stock Transfer and Trust Company, 17 Battery Place, New York, New York 10004.

Item 6. Selected Financial Data.

Information required by this Item is not required for the Company since it is a smaller reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion highlights the Company's business activities during fiscal years 2013 and 2012.

Overview

As the development program for the Oimage Project becomes more detailed and as the planning and design processes progress, the estimates of construction and development costs have and will become proportionately more accurate. The Company presently expects, based on the current assumptions underlying Oimage LLC's updated development program, that the development costs (including the costs for design, construction management, program management and construction) for the entire Oimage Project will be between \$2.1 and \$2.5 billion dollars. As noted below however, the costs of labor and materials as well as the selling prices and market absorption rates of new residential housing and commercial properties remain somewhat volatile and accurate forecasts for such future costs, selling prices or market absorption rates cannot be made at this time. The Company nevertheless presently expects, based on signing the DA in April 2014 and on current assumptions and market activity, that such residential selling prices during the Oimage Project's planned multiple sales releases during 2015 and beyond will be at least equal to the prices that are presently budgeted by Oimage LLC.

Costs and selling prices in Oman and the surrounding region remain somewhat volatile and undue reliance on present forecasts should be avoided. Management cautions that future events rarely develop exactly as forecast and the best estimates routinely require adjustment. Management fully expects that its cost estimates for the Oimage Project will require adjustment – possibly significant adjustment – as future events unfold. Investors and shareholders are cautioned not to place undue reliance on any such forward-looking statement or forecast, which speaks only as of the date hereof.

Although the Oman economy was not as severely affected by the 2008/2009 worldwide financial crisis as nearby Dubai or other countries, it did experience negative effects, slowdowns and volatility in both residential and commercial selling prices and market absorption rates during the past several years. Raw material and labor prices initially dropped dramatically but have now recovered and stabilized. Both the economy and real estate sector of nearby Dubai is presently experiencing a very robust recovery. Dubai leads the way for the Gulf tourism market and this is likely to be the case for the foreseeable future, given its existing visitor market (over 10 million visitors in 2012), attractions, its impressive future capital development and marketing investment programs, and especially given its recent selection as the host for EXPO 2020 which is expected to attract over 25 million visitors. All of the foregoing will ensure that Dubai's appeal is maintained. Oimage is conveniently located one hour from Dubai by air and is a natural and logical addition to a Dubai visit. Management expects Oimage to benefit from Dubai's hosting of EXPO 2020 and similarly, from nearby Qatar's hosting of the World Cup Games in 2022. Sale prices and rental rates for housing in other integrated tourism projects in the Muscat area of Oman are increasingly strengthening and the inventory of unsold housing in the secondary (re-sale) market has diminished recently which some market observers see as an important indicator of strong future demand. Significant new housing inventory, especially apartments, has come onto the local Muscat area market and the market absorption rates (number of market transactions) for such new residential housing continues to improve.

The Company plans to continue its focus on real estate development, entertainment and hospitality ventures and on developing, building, owning and operating tourism and residential real estate development projects, primarily in the

MENA Region. The Company presently concentrates the majority of its efforts on the tourism and real estate development business of Oimage LLC in Oman.

Rights Offering and Warrant Distribution

In January 2012, the Board of Directors authorized the Company to conduct a Rights Offering and Warrant Distribution exclusively for the benefit of its stockholders pursuant to which the Company distributed at no charge to all holders of its Common Stock on February 24, 2012 (the "Record Date"), 3,181,837 non-transferable subscription Rights and 6,422,124 Warrants. Shareholders who owned Common Shares on the Record Date (the "Record Shareholders") received one Right, one \$5 Warrant, and one \$10 Warrant for each four Common Shares held by them on the Record Date. Between February 24, 2012 and March 30, 2012 the Company conducted the Rights Offering (See: "Liquidity and Capital Resources – Rights Offering and Warrant Distribution").

Critical Accounting Policies

Our financial statements attached hereto for the fiscal years 2013 and 2012 are development stage entity financial statements and have been prepared in accordance with accounting principles generally accepted in the United States for development stage entities and pursuant to the guidance contained in ASC 915 issued by the Financial Accounting Standards Board. The financial statements have been audited by the Company's independent certified public accountants. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The policies discussed below are considered by management to be critical to an understanding of our financial statements because their application places the most significant demands on management's judgment, with financial reporting results relying on estimation about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Revenue Recognition. The method of revenue recognition at Oimage LLC will be determined by management when and if it becomes likely that Oimage LLC will begin generating revenue.

Valuation Allowance for Deferred Tax Assets. The carrying value of deferred tax assets assumes that the Company will not be able to generate sufficient future taxable income to realize the deferred tax assets, based on management's estimates and assumptions.

Results of Operations :

Fiscal Year Ended December 31, 2013 Compared to Fiscal Year Ended December 31, 2012

The Company is a development stage entity and is not expected to generate revenue until after the occurrence of an event - the development of the Omagine Project - which, as of the date hereof, is not certain to occur. (See: "Business - The Omagine Project").

The Company did not generate any revenue or incur any cost of sales for the years ending 2013 and 2012. The Company is focusing all of its efforts on Omagine LLC's real estate development and entertainment business.

The Company is relying on Omagine LLC's future operations for the Company's future revenue generation.

Management is presently examining other possible sources of revenue for the Company which, subject to the Development Agreement being executed by Omagine LLC and the Government, may be added to the Company's operations.

Total selling, marketing, general and administrative operating expenses ("SG&A Expenses") were \$2,630,555 in fiscal year 2013 compared to \$2,789,975 in fiscal year 2012, a decrease of \$159,420 (5.7%).

During our 2013 fiscal year the following SG&A Expenses decreased by a total of \$304,835: Officers & Directors compensation (\$190,781); Travel & other SG&A Expenses (\$114,054); and such decreases were partially offset by increases totaling \$145,415 in the following SG&A Expenses: Professional Fees (\$54,110); Consulting Fees (\$68,386); and Rent / Occupancy costs (\$22,919).

During 2013 and 2012 the Company has utilized (i) awards of Stock Options to retain the services of personnel deemed critical to its ongoing operations (See: "Executive Compensation" and "Employment Agreements and Consulting Agreement"), and (ii) issuances of its Common Stock in lieu of cash payments in order to conserve its cash resources .

During the last two years the Company has frequently deferred making payments of salary to its executives, utilized (or extended) Stock Options to incentivize its employees and consultants and utilized its Common Stock in lieu of cash to pay various professional fees. The Company therefore incurred significant SG&A Expenses in both 2013 and 2012 that did not require the Company to expend cash to compensate such employees and consultants or to pay such professional fees. Such SG&A Expenses incurred by the Company in 2013 and 2012 totaled \$1,931,728 and \$2,186,653 respectively, and consisted of: (i) deferred salary amounts which were expensed (but not paid) and which were then accrued as salaries payable, (ii) Stock Option expense (including the calculated expense of extending the expiration date of certain Stock Options); (iii) Common Stock contributed to employee 401(k) Plans, and (iv) Common Stock utilized to pay vendors, as detailed below:

\$206,250 in 2013 and \$168,000 in 2012 of unpaid but accrued salaries payable to Company executives, and

\$1,445,744 in 2013 and \$1,761,076 in 2012 representing the fair value of Stock Option awards and/or the extension of the expiration date of certain Stock Options as calculated using the Black-Scholes option pricing model, and

\$76,250 in 2013 and \$76,250 in 2012 representing the value of the shares of Common Stock contributed to employees 401(k) plan accounts, and

\$203,484 in 2013 and \$181,327 in 2012 representing the value of the shares of Common Stock used by the Company to pay various consulting and professional fees.

The Company sustained a net loss of \$2,640,590 during 2013 compared to a net loss of \$2,789,976 during 2012. The \$149,386 (5.4%) decrease in the Company's 2013 net loss compared to 2012 was principally attributable to the \$159,420 decrease in SG&A Expenses in 2013 compared to 2012 as described above.

Liquidity and Capital Resources

The Company incurred net losses of \$2,640,590 and \$2,789,976 respectively in fiscal years 2013 and 2012. In 2013 the Company had net negative cash flow of \$42,404 resulting from the negative cash flows of \$596,917 from the Company's operating activities and \$8,207 from the Company's investing activities being partially offset by the positive cash flow of \$562,720 from its financing activities. Financing activities during the fiscal year ended December 31, 2013 consisted of sales by Oimage, Inc. of shares of its Common Stock for proceeds of \$407,720 and the issuance of a note payable pursuant to the YA Loan, the net proceeds of which to the Company was \$180,000.

The Company had \$8,207 of capital expenditures in fiscal year 2013. Assuming Oimage LLC and the Government sign the Development Agreement for the Oimage Project in 2014 as expected, the Company anticipates that it will incur significant expenses related to capital expenditures, marketing, public relations and promotional activities in fiscal year 2014 and beyond.

At December 31, 2013, the Company had \$29,998 in current assets, consisting of \$19,723 of cash and \$10,275 of prepaid expenses (representing prepaid expense for investor relations services which will be amortized in 2014).

The Company's current liabilities at December 31, 2013 totaled \$1,602,903 consisting of \$347,935 of convertible notes payable and accrued interest, \$163,126 of the YA Loan note payable and accrued interest, \$364,230 of accounts payable and accrued expenses and \$727,612 of accrued Officers' payroll.

At December 31, 2013, the Company had a working capital deficit of \$1,572,905 compared to a working capital deficit of \$867,822 at December 31, 2012. Fifty-eight percent (58%) of the \$1,602,903 of current liabilities at December 31, 2013 (\$933,837) is due and owing to officers and/or directors.

The \$705,083 increase in the Company's working capital deficit at December 31, 2013 compared to December 31, 2012 is attributable to the decreases during 2013 in: cash (\$42,404) and pre-paid expenses (\$153,864) plus the increases during 2013 in: convertible notes payable and accrued interest (\$27,500); the YA Note payable and accrued interest (\$163,126); accounts payable and accrued expenses (\$111,939); and accrued officers payroll (\$206,250).

As indicated in the report of the independent registered public accounting firm, the consolidated financial statements referred to above have been prepared for the Company as a development stage entity and assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 2. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts or classification of liabilities that might be necessary in the event the Company cannot continue in existence. The continued existence of the Company is dependent upon its ability to execute its business plan and attain profitable operations or obtain additional financing.

Oimage LLC

Oimage LLC presently has limited resources.

Oimage, Inc. and JOL made the 20,000 Omani Rial (\$52,000) OMAG Initial Equity Investment into Oimage LLC in 2009.

Oimage, Inc. and the New Shareholders invested a further 130,000 Omani Rials (\$338,000) into Oimage LLC pursuant to the Shareholder Agreement (see Exhibit 10.3). Oimage LLC is presently capitalized at 150,000 Omani Rials (\$390,000).

Oimage, Inc. will make the 210,000 Omani Rial (\$546,000) OMAG Final Investment into Oimage LLC after the DA is signed and Oimage LLC will then be capitalized at 360,000 Omani Rials (\$936,000).

Expenses incurred during the many extended delays in signing the DA have depleted Oimage LLC's resources and as of the date hereof Oimage, Inc. has advanced 41,000 Omani Rials (\$106,600) of the OMAG Final Equity Investment to Oimage LLC in order to maintain Oimage LLC's liquidity.

The New Shareholders will make an additional 26,628,125 Omani Rial (\$69,233,125) investment (the “Deferred Cash Investment”) into Oimage LLC only after the Financing Agreement Date occurs and Oimage LLC will then be capitalized at 26,988,125 Omani Rials (\$70,169,125).

The capital of Oimage LLC will likely be increased further at a later date if and when the non-cash valuation of the PIK is recorded as a capital investment into Oimage LLC.

The value of the non-cash “payment-in-kind” investment by RCA will be added to Oimage LLC’s capital after such value is determined subsequent to the signing of the Development Agreement.

The continuation of Oimage LLC’s business and its efforts to sign the Development Agreement have to a large extent been financed to date by Oimage, Inc. and it is planned that such activities will, to a large extent, continue to be financed by Oimage, Inc. until the DA is signed. The Company is relying for revenue growth upon the future business of its 60% owned subsidiary Oimage LLC.

Oimage Inc.

The continuation of the Company’s operations is dependent upon Oimage, Inc.’s ability to secure financing for its and Oimage LLC’s operations until such time as the DA is signed, the Financing Agreement Date occurs and Oimage LLC begins paying Oimage, Inc. the \$10 million Success Fee and the approximately \$9 million of Pre-Development Expenses.

In order to provide financing for its recent activities, the Company has relied on the proceeds from sales of its Common Stock pursuant to (i) private placement sales, (ii) the Standby Equity Distribution Agreement discussed below, and (iii) the 2012 Rights Offering discussed below. In addition the Company has entered into a loan agreement dated as of July 26, 2013 (the “YA Loan Agreement”) as discussed below. If the DA is signed, management is hopeful that the Warrants will provide a future source of additional financing.

Investors and Shareholders should be aware that as a Development Stage Entity we have had no revenue for the past several years and do not expect to generate any revenue until after the DA is signed and the Financing Agreement Date is achieved.

The significant expenses incurred during the many extended delays by the Government of Oman in signing the DA have strained and continue to strain the Company’s resources. Because the Company financed such expenses and its continuing operations during such delays via sales of new shares of its Common Stock, these delays by the Government of Oman have resulted in a material increase in the number of issued and outstanding shares of the Company’s Common Stock. This point is illustrated by the fact that between January 1, 2008 and December 31, 2013 the Company has issued and sold 5,131,790 shares of its Common Stock to investors, vendors, officers and consultants. All or most of such shares would likely not have been issued and sold had the DA been signed in a timely manner as promised frequently by the MOT.

Either the failure of Oimage LLC to sign the Development Agreement with the Government of Oman or, if signed, the failure thereafter of the Financing Agreement Date to occur, will have a materially significant effect on the Company’s ability to continue operations. After the DA is signed, Oimage, Inc. may, if it has the necessary financial resources available to it, make a secured loan to Oimage LLC in order to trigger the first Financing Agreement Date.

Rights Offering and Warrant Distribution

The Company conducted a “Rights Offering and Warrant Distribution” between February 24, 2012 and March 30, 2012 for the sole benefit of the Record Shareholders pursuant to which the Company distributed a total of 3,181,837 “Rights” and 6,422,124 Common Stock purchase warrants (“Warrants”) to Record Shareholders.

A total of 1,014,032 Common Shares were subscribed for in the Rights Offering at a subscription price of \$1.25 per Common Share. Total proceeds to the Company from the Rights Offering was \$1,267,540 of which \$731,639 was paid in cash and \$535,901 was paid via the satisfaction of debt owed by the Company to Record Shareholders exercising such Rights. Of the 1,014,032 new shares issued pursuant to the Rights Offering, 585,311 of such shares were issued in exchange for the aforementioned \$731,639 in cash and 428,721 of such shares were issued in exchange for the aforementioned satisfaction of \$535,901 of Company debt constituting promissory notes for loans to the Company and accrued but unpaid salaries and expenses. Of the \$535,901 of Company debt which was satisfied in the Rights Offering, \$506,750 of such debt represented unpaid salaries, expenses and loans to the Company which were due and owing by the Company to officers and directors of the Company.

Pursuant to the terms of the Rights Offering and Warrant Distribution the Company withheld the issuance of exercisable Rights or Warrants to its Record Shareholders who were residents of California (the “California Shareholders”) because, as of the Record Date, the registration and/or qualification in California of the Rights, Warrants and the Common Stock underlying the Rights and Warrants had not yet been approved by the California Department of Corporations (the “California Approval”). The Rights Offering expired on March 30, 2012 and the California Approval was received by the Company on February 13, 2013, after which Warrants were distributed to the California Shareholders. Of the total of 6,422,124 Warrants distributed, 3,211,062 are \$5 Warrants and 3,211,062 are \$10 Warrants. The Warrants expire on December 31, 2014 unless, upon a 30 day prior notice from the Company to the Warrant Holders, they are redeemed earlier by the Company.

The Rights, Warrants and Common Shares underlying the Rights and Warrants were registered in a registration statement filed by the Company on Form S-1 (Commission File No. 333-179040), which was declared effective by the SEC on February 13, 2012. On August 13, 2013, the Company filed a Post-Effective Amendment on Form S-1 to a previously filed registration statement (Commission File No. 333-183852) to update such registration statement to include all 6,422,124 issued and outstanding Warrants and the 6,422,124 Common Shares underlying such Warrants (the “Updated Registration”). The SEC declared the Updated Registration to be effective as of August 26, 2013 and it remains effective as of the date hereof.

Management is hopeful that, when and if the Oimage Development Agreement is signed, that all or many of the 6,422,124 outstanding Warrants will thereafter become “in the money” and will be exercised. Management is hopeful that the Warrants will provide a future source of additional financing for the Company. Such an exercise of Warrants would provide the significant amount of capital necessary to fund (i) the OMAG Final Equity Investment into Oimage LLC, and should it be desirable at the time, (ii) a secured loan to Oimage LLC which would in turn trigger the first Financing Agreement Date. There can be no assurance given that the Company will be able to successfully utilize the Warrants to secure the significant amount of financing necessary for it to execute its business plan as presently conceived.

Standby Equity Distribution Agreements

On May 4, 2011, Oimage, Inc. and an investment fund, YA Global Master SPV Ltd. (“YA”), entered into a two year Stand-By Equity Distribution Agreement which was amended on June 21, 2011 (the “SEDA”). Oimage, Inc. issued 244,216 restricted shares of Common Stock to YA in satisfaction of \$300,000 of commitment fees due to YA pursuant to the SEDA. From April 24, 2012 to May 17, 2012, the Company was in breach of one of the covenants it made in the SEDA but that breach was waived by YA and the breach was cured on May 17, 2012 (See: Exhibit 10.11 hereto). The SEDA was originally scheduled to expire on September 1, 2013 but, as of July 26, 2013, it was amended by the parties without any further commitment fee to extend it for one year. The SEDA now expires on September 1, 2014.

Pursuant to the terms of the SEDA, Oimage, Inc. may in its sole discretion, and upon giving written notice to YA (an “Advance Notice”), periodically sell shares of its Common Stock to YA (“Shares”) at a per Share price (“Purchase Price”) equal to 95% of the lowest daily volume weighted average price for a share of Common Stock as quoted by Bloomberg, L.P. during the five (5) consecutive Trading Days (as such term is defined in the SEDA) immediately subsequent to the date of the relevant Advance Notice (the “Pricing Period”). Oimage, Inc. is not obligated to sell any Shares to YA but may, over the term of the SEDA and in its sole discretion, sell to YA that number of Shares valued at the Purchase Price from time to time in effect that equals up to \$10,000,000 in the aggregate. YA is obligated under the SEDA to purchase such Shares from Oimage, Inc. subject to certain conditions including (i) Oimage, Inc. filing a registration statement with the SEC to register the resale by YA of the Shares sold to YA under the SEDA (“Registration Statement”), (ii) the SEC declaring such Registration Statement effective, (iii) periodic sales of Shares to YA must be separated by a time period of at least five Trading Days, and (iv) the dollar value of any individual

periodic sale of Shares designated by Oimage, Inc. in any Advance Notice may not exceed the greater of (a) two hundred thousand dollars (\$200,000), or (b) the average of the “Daily Value Traded” for each of the five (5) Trading Days immediately preceding the date of the relevant Advance Notice where Daily Value Traded is the product obtained by multiplying the number representing the daily trading volume of shares of the Common Stock for such Trading Day by the closing bid price for a share of Common Stock on such Trading Day.

The Registration Statement filed by the Company was declared effective by the SEC as of August 24, 2011 (Commission File No. 333-175168) and its effective status expired on May 25, 2012. The Company filed an amendment to that Registration Statement with the SEC to continue to make sales of Shares to YA available to it pursuant to the SEDA and on April 25, 2013 the SEC declared such Registration Statement to be effective. On August 8, 2013, the Company filed with the SEC a post-effective amendment to such registration statement updating it with respect to the YA Loan Agreement and the extension to September 1, 2014 of the SEDA’s expiration date. Such post-effective amendment was declared effective by the SEC on August 15, 2013.

Between 2009 and 2011, the Company had a prior Stand-By Equity Distribution Agreement with an affiliate of YA (the “First SEDA”). The Company has over the past many years relied on the proceeds from sales of Oimage, Inc.’s equity securities made in private placements, the Rights Offering and pursuant to the SEDA and the First SEDA to generate the necessary cash needed to sustain its ongoing operations.

Management believes that it has been judicious and conservative in its use to date of the SEDA and the First SEDA, but nonetheless our periodic sales of Common Stock to YA and to its affiliate pursuant to the SEDA and the First SEDA have been dilutive to all shareholders and the subsequent resales of such Common Stock by YA into the public market have from time to time inflicted downward pressure on our stock price.

Sales of Common Shares to YA in 2013 pursuant to the SEDA totaled 163,094 Common Shares for aggregate proceeds to the Company of \$205,000 and in 2012 such sales totaled 68,480 Common Shares for aggregate proceeds to the Company of \$90,000. Sales of Common Shares to YA in 2014 to date pursuant to the SEDA total 186,671 Common Shares for aggregate proceeds to the Company of \$260,000. The Company intends to continue to utilize the SEDA to fund its ongoing operations, as and if necessary. There can be no assurance given that the Company will be able to successfully utilize the SEDA to secure the significant amount of financing necessary for it to execute its business plan as presently conceived.

The YA Loan Agreement

The Company and YA, the investment fund which is a party to the SEDA with the Company, entered into a loan agreement dated July 26, 2013 (the "YA Loan Agreement"). Pursuant to the YA Loan Agreement, Oimage, Inc. borrowed two hundred thousand dollars (\$200,000) from YA (the "YA Loan") for a term of one year at an annual interest rate of 10%. The YA Loan Agreement calls for a 10% monitoring and management fee equal to \$20,000 to be escrowed and paid to Yorkville Advisors thereby making the net proceeds from the YA Loan to the Company equal to \$180,000. Such \$180,000 of proceeds was received by the Company on September 3, 2013. The YA Loan Agreement also extended the expiration date of the SEDA to September 1, 2014. The foregoing summary of the terms of the YA Loan does not purport to be complete and is qualified in its entirety by reference to the full text of the YA Loan Agreement attached hereto as Exhibit 10.12.

Although it is not a condition of the YA Loan Agreement, the Company anticipates that, absent a DA signing, the YA Loan will be repaid from proceeds of sales of Common Stock made pursuant to the SEDA. Depending on future circumstances and events, and in particular on further delays in signing the DA, the same dilution and downward pressure on our stock price mentioned above could occur as a result of the use of the SEDA to service the YA Loan. It is management's opinion however that if and after the DA is signed, such dilution and downward pressure on our stock price will be substantially alleviated with respect to sales of Common Shares made pursuant to the SEDA. Management's original intent with respect to the SEDA was to use it only after the DA was signed. The continued delays by the Omani Government in signing the DA however have necessitated that we utilize the SEDA (and now the YA Loan) to finance our current operations.

Management believes that the various financing mechanisms the Company has employed to date have been judiciously utilized, but the longer the Government of Oman delays the DA signing, the longer the Company's human and financial resources will be strained, and the greater will be the amount of shareholder dilution and downward pressure on our stock price from the utilization of these various financing mechanisms.

Management is hopeful that, when and if the Oimage Development Agreement is signed, that the 6,422,124 Warrants distributed pursuant to its recent Rights Offering and Warrant Distribution will thereafter become "in the money" and will be exercised. Such an exercise of Warrants would provide the significant amount of capital necessary to fund, should that be desirable at the time, (i) a secured loan to Oimage LLC which would in turn trigger the first Financing Agreement Date, and (ii) the OMAG Final Equity Investment into Oimage LLC. There can be no assurance given that the Company will be able to successfully utilize the Warrants or the SEDA to secure the significant amount of financing necessary for it to execute its business plan as presently conceived. The Company has relied on the net proceeds from sales of Oimage, Inc.'s equity securities made in private placements, the 2012 Rights Offering and pursuant to the SEDA and the First SEDA to fund its operations during the past several years.

Capital Expenditures and Construction Financing

The Company incurred \$8,207 of capital expenditures in fiscal year 2013. In the periods after the DA is signed between the Government and Oimage LLC, we expect that (i) the Company will incur significant expenses related to capital expenditures, and (ii) Oimage LLC will incur substantial debt associated with the Construction Financing for the Oimage Project. We anticipate that such capital expenditures and Construction Financing will be financed through a combination of bank financing and possibly an additional sale or sales of Oimage LLC's equity (See: "Business - Financial Advisor"). Oimage LLC's Construction Financing requirements are expected to be reduced by its ability to pre-sell residential and commercial units to third parties and receive deposits and progress payments during the construction of such units. Recent trends in the Omani market subsequent to the recent financial crises mentioned above however have indicated a reduced presence of speculative buyers and a reduced consumer appetite for pre-sales of residential units as many buyers are now demanding a finished unit before entering into sales contracts with developers.

Off-Balance Sheet Arrangements

We have not entered into and have no present intention of entering into any off-balance sheet financing arrangements. We have not formed and have no present intention of forming any special purpose entities.

Impact of Inflation

The level of inflation in the U.S. has been relatively low during the last several fiscal years and has not had a significant impact on the Company. While the level of inflation in Oman has also been relatively low during the last several fiscal years, the Oman economy has recently been experiencing volatility in its inflation rate (including in the prices of construction materials and labor) which volatility may have an impact on Oimage LLC's proposed future operations in Oman.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Information required under this caption is not required for the Company since it is a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

The response to this Item, commencing on Page F-1, is submitted as a separate section to this report on Form 10-K.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in this report is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Such controls also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its principal executive and principal financial officers or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Company's chief executive and financial officer, the Company carried out an evaluation of the effectiveness of the design and operation of such disclosure controls and procedures as of the end of the period covered by this report (the "DCP Evaluation").

On November 15, 2012, the Company concluded that it was a development stage entity ("DSE") as that term is defined in ASC 915 as issued by the Financial Accounting Standards Board. At March 31, June 30 and September 30 of 2012, the Company had concluded that it was not a DSE and during the fourth quarter of 2012, the Company instituted a more robust set of procedures in order to strengthen its disclosure controls and procedures and its internal control over financial reporting.

Based on the DCP Evaluation, the Company's chief executive and financial officer has concluded that our disclosure controls and procedures were effective as of December 31, 2013 and for the fiscal year then ended.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Registrant;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Registrant are being made only in accordance with authorizations of management and directors of the Registrant; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Registrant's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013 (the "ICFR Evaluation"). The ICFR Evaluation was conducted in accordance with the interpretative guidance issued by the SEC in Release No. 34-55929 and management has used a framework set forth in the report entitled "Internal Control -- Integrated Framework" published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Prior to November 2012 the Company had adopted a web-based software solution in order to automate and streamline its compliance program. In light of our November 2012 conclusion that we are a DSE, the Company discontinued using this web-based system and reverted to its previous manual system during the fourth quarter of 2012.

Management's Assessment

Based upon the ICFR Evaluation, management's assessment and conclusion is that (i) the Company's internal control over financial reporting was effective as of December 31, 2013, (ii) the Company's internal control over financial reporting continues to be effective, and (iii) the material weakness in the operation of the Company's disclosure controls and procedures which caused us to make an incorrect conclusion regarding our status as a DSE during the first three quarters of 2012 has been ameliorated and there were no material weaknesses in either the design or operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. The ICFR Evaluation did not identify the occurrence during the fourth fiscal quarter of 2013 of any changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting. These conclusions were communicated to the Audit Committee and to the Board of Directors.

Attestation Report of the Registered Public Accounting Firm

Oimage, Inc. is a non-accelerated filer and is required to comply with the internal control reporting and disclosure requirements of Sections 404 and 302 of the Sarbanes-Oxley Act. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permanently exempt smaller reporting companies from such attestation requirement.

Changes in Internal Control Over Financial Reporting

There were no changes made during the Company's fourth fiscal quarter of 2013 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting. In November 2012, concurrent with management's conclusion that the Company is a DSE, the Company discontinued the use of its previous web-based system, returned to a manual system, and instituted a second level of internal review of our controls and procedures and internal control over financial reporting. The Company's present manual system affords us a more detailed initial review which is now augmented by a more highly focused second level review by a different internal reviewer than the reviewer that does the initial review. Management believes that by designing in this redundancy a more robust result will be produced and Company management will be alerted in a timely manner to any internal control or disclosure issues, including financial reporting issues relevant to GAAP such as the November 2012 DSE issue described above. The Company is presently reviewing several specialized automated systems (while maintaining the second level of internal review) which are designed to assist us in our internal control over financial reporting and documenting and assessing the design of controls, tracking the testing of their effectiveness and locating and remedying any deficiencies in the internal controls over financial reporting. It's managements present assessment that the implementation of such an automated and robust system is not presently required but that such a system may be implemented after the DA is signed with the Government of Oman and the business and transactional activities of our 60% owned subsidiary, Oimage LLC, begin to accelerate.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our directors are elected at the annual meeting of shareholders to hold office until the annual meeting of shareholders for the ensuing year or until their successors have been duly elected and qualified. Officers are appointed by the Board of Directors and serve at the discretion of the Board of Directors. The directors and executive officers of the Company as of the date hereof are as follows:

Name	Age	Position
Frank J. Drohan	69	Chairman of the Board of Directors, President, Chief Executive & Financial Officer
Charles P. Kuczynski	60	Vice-President, Secretary and Director
William Hanley	72	Controller & Principal Accounting Officer
Louis J. Lombardo	70	Director

Directors

Frank J. Drohan has served as a director, Chairman of the Board of Directors, President and CEO of the Registrant since 1991. Mr. Drohan is also the Managing Director and Chief Executive Officer of Oimage LLC and he serves as a director and the chairman of JOL. He was chairman of the board of directors, president and sole shareholder of Rif International Corp., a privately held company active in the construction and real estate development business and which had extensive overseas activities in the MENA Region between 1977 and 1986 and which was acquired by Oimage, Inc. in 1997. Mr. Drohan holds a Bachelor of Science degree in Economics and Political Science from Manhattan College in New York City. Mr. Drohan, has over 35 years of experience doing business across most of the MENA Region, has many long-standing business and personal relationships in the region and is familiar with the region's cultural and business environment.

Charles P. Kuczynski has served as a director, Secretary and a Vice-President of the Registrant since 1996 and previously served as a director and Secretary of the Registrant from 1988 to 1993. Mr. Kuczynski is a director and the secretary of JOL. Prior to joining the Company, Mr. Kuczynski was a sales executive with Hillenbrand Industries. Mr. Kuczynski holds a Bachelor of Arts degree from Merrimack College in Massachusetts and he has over 30 years of diverse business experience in marketing, sales, public relations and administration.

Louis J. Lombardo has served as a non-employee independent director ("Independent Director") of the Registrant since 2005. Mr. Lombardo retired after 35 years at American Express Company where he was Executive Vice President - Travel Related Services. In this capacity he led an organization of worldwide operating centers employing over 14,000 people and managed a \$1.3 billion operating budget and a \$600 million capital budget. Mr. Lombardo holds an MBA degree from New York University and his years of experience as a senior executive of American Express Company bring a unique perspective and added value to his role as an Independent Director on our Board of Directors. He lives in New York City where he owns and operates two privately held businesses and a consulting company.

Directors are elected to serve for one-year terms or until their successors are duly elected and qualified. The Board of Directors is authorized to fill vacancies on the Board of Directors by appointment for a term lasting until the Company's next annual meeting of shareholders or until such appointed person's successor has been duly elected and qualified. Directors who are Company employees receive no fees for acting as such. Independent Directors receive stock options and receive a minimal fee for attendance at board meetings and the Company's annual meeting and are entitled to reimbursement of reasonable out-of-pocket expenses incurred by them in attending such meetings.

Kevin O'C. Green is an attorney and had served as an Independent Director of the Registrant from 2001 until January 2012. Due to the demands of his law practice and other business commitments, Mr. Green resigned as a director of Oimage, Inc. effective January 31, 2012. His resignation was not the result of any disagreements with the Company on any matters relating to the Company's operations, policies or practices. Salvatore J. Bucchere, an accountant and businessman, had served as an Independent Director of the Registrant from 2001 until his sudden and unexpected death on April 9, 2012. The Board of Directors has undertaken a search to identify two persons who are qualified and willing to serve as Independent Directors to fill the vacancies resulting from Mr. Green's resignation and Mr. Bucchere's untimely passing. At December 31, 2012, the three member Board of Directors of Oimage, Inc. consisted of two employee directors: Frank J. Drohan and Charles P. Kuczynski and one Independent Director: Louis J. Lombardo.

Board Committees

The Company has an audit committee, a compensation committee, a nominating committee and a stock option committee each designated by the Board of Directors.

At December 31, 2013, the sole member of the Audit Committee was Mr. Drohan and the audit committee did not have an audit committee financial expert as a member as of December 31, 2013. At January 1, 2012 the members of the Audit Committee were Mr. Bucchere, Mr. Green (both of whom were Independent Directors) and Mr. Drohan. Until his unexpected death on April 9, 2012, Mr. Bucchere was the Chairman of the Audit Committee and was an audit committee financial expert.

At December 31, 2013, the sole member of the compensation committee and of the nominating committee was Mr. Lombardo who is an Independent Director. At January 1, 2012, the three Independent Directors, Mr. Lombardo, Mr. Bucchere and Mr. Green comprised the entire membership of the compensation committee and of the nominating committee.

At December 31, 2013, the sole member of the Stock Option Committee was Mr. Drohan. At January 1, 2012, the Stock Option Committee was chaired by Mr. Green, and both Mr. Bucchere and Mr. Drohan were committee members.

In view of the ongoing vacancies on its Board of Directors, the Company's limited resources and the limited number of Company employees available to address currently pressing business requirements, the Board of Directors resolved on March 15, 2013 to temporarily suspend the activities of the audit committee, the compensation committee, the nominating committee and the stock option committee until the two new Independent Directors were appointed or elected, and to have responsibility for all such committee activities assumed by the full Board of Directors.

The Board of Directors does not expect to fill the two board vacancies for Independent Directors until after the Development Agreement for the Oimage Project is signed with the Government of Oman. The Board intends that one such vacancy will be filled with a person who will chair the audit committee and will be an audit committee financial expert. Upon the appointment or election of such two new Independent Directors, they will also both be appointed to the compensation committee and to the nominating committee.

Officers

Officers are appointed by the Board of Directors and serve at the discretion of the Board of Directors. Mr. Drohan and Mr. Kuczynski are both officers of the Company as described above. William Hanley has served as the Controller and Principal Accounting Officer of the Company since January 2008. Mr. Hanley served as the controller of Mittal Steel from 1986 to 2007 and as the Controller and Chief Financial Officer of Rif International Corp. from 1980 to 1986. From 1973 to 1980 he served as the controller at two Wall Street brokerage firms and from 1968 to 1972 as a senior accountant at Main LaFrentz & Company. Mr. Hanley holds a Bachelor of Business Administration degree in Accounting from St. Francis College in New York.

Code of Ethics

The Company has adopted and its Board of Directors has approved a Code of Ethics and Business Conduct ("Code"). The Code applies to all directors, officers and employees of the Company. The Company believes that the policies and procedures contained in the Code are consistent with the requirements for a Code of Ethics as required by the SEC. A copy of the Code is attached hereto as Exhibit 14 and is available on the Company's website, www.oimage.com.

Section 16(a) Beneficial Ownership Reporting Compliance

As of the date hereof, the Registrant's officers and directors are in compliance with the requirement to file ownership reports as required by Section 16(a) of the Act. During 2013 the Registrant's President, Vice President and Controller did not timely file Form 4 for shares gifted by each of them. All such forms have been filed as of the date hereof.

Item 11. Executive Compensation.

Officer Compensation

The following table sets forth information relating to the aggregate compensation received by the then current executive officers of the Company for services in all capacities during the Registrant's three fiscal years indicated for (i) the Chief Executive and Financial Officer, and (ii) each then current executive officer of the Company whose total compensation exceeded \$100,000 (the foregoing (i) and (ii) being collectively, the "Named Executive Officers").

Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c-1) Unpaid Salary Accrued (1) (\$)	(c-2) Salary Payments (2) (\$)	(d) Bonus (\$)	(e) Stock Awards (3) (\$)	(f) Option Awards (4) (\$)	(g) All Other Comp. (\$)	(h) Total (\$)
Frank J. Drohan, Chief Executive and Financial Officer	2013	\$125,000	\$0	\$0	\$33,889	\$566,727	\$0	\$725,616
	2012	\$125,000	\$0	\$0	\$34,388	\$691,874	\$0	\$851,262
	2011	\$125,000	\$0	\$0	\$33,834	\$47,170	\$0	\$206,004
Charles P. Kuczynski, Vice-President and Secretary	2013	\$17,917	\$82,083	\$0	\$35,301	\$194,805	\$0	\$330,186
	2012	\$18,000	\$82,000	\$0	\$35,882	\$236,847	\$0	\$372,729
	2011	\$69,500	\$30,500	\$0	\$35,444	\$23,585	\$0	\$159,029
William Hanley, Controller and Principal Accounting Officer	2013	\$63,333	\$16,667	\$0	\$7,060	\$42,508	\$0	\$129,568
	2012	\$25,000	\$55,000	\$0	\$5,980	\$51,183	\$0	\$137,163
	2011	\$65,000	\$15,000	\$0	\$3,222	\$2,975	\$0	\$86,197
Sam Hamdan, Deputy Managing Director, Oimage LLC (5)	2013	\$0	\$0	\$0	\$0	\$531,350	\$0	\$531,350
	2012	\$0	\$0	\$0	\$0	\$644,479	\$0	\$644,479
	2011	\$0	\$0	\$0	\$0	\$18,768	\$0	\$18,768

1. Amounts included under Column (c-1) represent amounts recognized as compensation expense for financial statement reporting purposes and not an amount paid to the Named Executive Officers in the year indicated. Such amounts represent salary due to the Named Executive Officer for the year indicated that was not paid to such Named Executive Officer and was accrued as salaries payable.

2. Amounts included under Column (c-2) represent amounts recognized as compensation expense for financial statement reporting purposes which were paid to the Named Executive Officers in the year indicated. Such amounts represent the portion of salary due to the Named Executive Officer for the year indicated that was paid to such Named Executive Officer in the year indicated.

3. Amounts included under Column (e) represent contributions of the Registrant's Common Stock made in the year indicated to the 401(k) Plan account of the Named Executive Officer, valued at the closing market price of the Common Stock on the dates of such contributions.

4. Amounts included under Column (f) represent the dollar amount recognized as compensation expense for financial statement reporting purposes for the year indicated under ASC 718 and not an amount paid to or realized by the Named Executive Officers. There can be no assurance that the amounts determined by ASC 718 will ever be realized. In December 2012, the Company extended the expiration date of all January 2012 Options from December 31, 2012 to December 31, 2013 and in December 2013 the Company again extended the expiration date of such January 2012 Options to December 31, 2014. Assumptions used in the calculation of the amounts specified in Column (f) are included in Note 1- STOCK-BASED COMPENSATION and Note 7 – STOCK OPTIONS to the Company's audited financial statements for the fiscal year ended December 31, 2013. (Also see: "Equity Compensation Plan Information" in this Item 11 below).

5. In addition to the 750,000 January 2012 Stock Options exercisable at \$1.70 per share awarded to Mr. Hamdan in 2012, Mr. Hamdan also holds 160,000 Stock Options exercisable at \$1.25 per share which were awarded to him in March 2007.

Management has concluded that the aggregate amount of personal benefits does not exceed 10% of the total compensation reported in column (h) of the foregoing table as to any Named Executive Officer named in the above table.

Table of Accrued Unpaid Salary Used to Purchase Common Stock

The following table indicates the amounts of previously accrued but unpaid salary payable utilized in the year indicated by the Named Executive Officer to purchase shares of the Company's Common Stock via a direct purchase from the Company, an exercise of Stock Options or an exercise of Rights in the Rights Offering.

Name	2013	2012	2011	2010
Frank J. Drohan (1)	\$ 0	\$ 155,921	\$ 125,000	\$ 0
Charles P. Kuczynski (2)	\$ 0	\$ 11,591	\$ 62,500	\$ 0
William Hanley (3)	\$ 0	\$ 31,250	\$ 0	\$ 100,000

1. At December 31, 2013, 2012, 2011 and 2010, unpaid accrued officer's compensation due to Mr. Drohan was \$398,154; \$273,154; \$281,250; and \$281,250 respectively. During the year ended December 31, 2012, \$155,921 of such accrued but unpaid salary and \$247,492 of principal and interest owed by the Company to Mr. Drohan pursuant to a promissory note was offset and utilized by Mr. Drohan for the exercise of 322,730 Rights to purchase 322,730 shares of the Company's Common Stock at \$1.25 per share.

During the year ended December 31, 2011, \$125,000 of such accrued but unpaid salary due to Mr. Drohan was offset and utilized by him for the exercise of 100,000 stock options at \$1.25 per share.

2. At December 31, 2013, 2012, 2011 and 2010, unpaid accrued officer's compensation due to Mr. Kuczynski was \$163,575; \$145,658; \$139,249; and \$132,250 respectively. During the year ended December 31, 2012, \$11,591 of such accrued but unpaid salary and \$51,497 of principal and interest owed by the Company to Mr. Kuczynski pursuant to a promissory note was offset and utilized by Mr. Kuczynski for the exercise of 50,470 Rights to purchase 50,470 shares of the Company's Common Stock at \$1.25 per share. During the year ended December 31, 2011, \$62,500 of such accrued but unpaid salary due to Mr. Kuczynski was offset and utilized by him for the exercise of 50,000 stock options at \$1.25 per share.
3. At December 31, 2013, 2012, 2011 and 2010, unpaid accrued officer's compensation due to Mr. Hanley was \$165,883; \$102,550; \$108,800; and \$43,799 respectively. During the year ended December 31, 2012, \$31,250 of such accrued but unpaid salary owed by the Company to Mr. Hanley was offset and utilized by Mr. Hanley for the exercise of 25,000 Rights to purchase 25,000 shares of the Company's Common Stock at \$1.25 per share. During the year ended December 31, 2010, \$100,000 of such accrued but unpaid salary due to Mr. Hanley was offset and utilized by him for the purchase of 82,305 shares of the Company's Common Stock at \$1.215 per share.

Director Compensation

Independent Directors are compensated by the Company for their services as directors of the Company. Directors of the Company who are employees of the Company do not receive additional compensation for their services as directors.

The following table sets forth information relating to the aggregate compensation received by the then current Independent Directors of the Registrant for services in all capacities during the Registrant's fiscal year ended December 31, 2013.

Director Compensation Table

(a) Name	(b) Fees Earned or Paid in Cash (\$)	(c) Stock Awards (\$)	(d) Option Awards (1)(2) (\$)	(e) All Other Compensation (\$)	(f) Total (\$)
Estate of Salvatore Bucchere (3)	\$ 0	\$ 0	\$ 35,423	\$ 0	\$ 35,423
Kevin Green (3)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Louis Lombardo	\$ 2,500	\$ 0	\$ 35,963	\$ 0	\$ 38,463

- (1) Column (d) represents the dollar amount recognized as compensation expense for financial statement reporting purposes for the year indicated under ASC 718, and not an amount paid to or realized by the named director. There can be no assurance that the amounts determined by ASC 718 will ever be realized. Assumptions used in the calculation of the amounts specified in Column (d) are included in Note 1 - STOCK-BASED COMPENSATION and Note 7 – STOCK OPTIONS to the Company's audited financial statements for the fiscal year ended December 31, 2013.
- (2) In December 2013, the Company extended the expiration date of all January 2012 Options from December 31, 2013 to December 31, 2014. As of December 31, 2013, (a) each of Mr. Lombardo and the estate of Mr. Bucchere had 50,000 fully vested January 2012 Options and Mr. Green had no January 2012 Options. In addition as of December 31, 2013, Mr. Lombardo held (i) 2,000 fully vested Stock Options exercisable at \$0.85 per share, (ii) 2,000 fully vested Stock Options exercisable at \$1.38 per share, and (iii) 2,000 fully vested Stock Options exercisable at \$1.70 per share; Mr. Green held (i) 2,000 fully vested Stock Options exercisable at \$0.85 per share and (ii) 2,000 fully vested Stock Options exercisable at \$0.51 per share (See: "Equity Compensation Plan Information" - "Stock Options Granted to Independent Directors" in this Item 11 below).
- (3) Mr. Green resigned in January 2012 and Mr. Bucchere died in April 2012.

Independent Directors are compensated for their services as a director as shown in the chart below:

Schedule of Independent Director Fees December 31, 2013

Compensation Item	Amount
Annual Retainer	\$ 0
Attendance at Annual Meeting	500
Per Board Meeting Fee (attendance in person)	500
Per Board Meeting Fee (attendance by teleconference)	250
Per Committee Meeting Fee (in person or by teleconference)	0
Appointment Fee Upon Election to Board of Directors	0

Non-qualified stock options

(1)(2)

- (1) On the date of appointment to the Board of Directors, new Independent Directors are entitled to a one-time grant of 6,000 non-qualified stock options at the closing price on the date of grant, vesting 2,000 on the date of grant and 2,000 on the first business day of January in each of the two years next following the date of grant.
- (2) For Independent Directors that have served on the Board for at least 3 years, 2,000 options (or such other number of options as determined by the Board in its discretion) will be granted on the first business day of January in each fiscal year next following such 3 year period, at the closing price on the date of such grant, and vesting immediately upon grant.

Compensation discussion and analysis

The Board of Directors has long recognized that the Named Executive Officers and the Company's Independent Director (collectively, the "Company Executives") have been substantially underpaid for years relative to their talents and to the efforts they expend on the Company's behalf. The previously disclosed history of the long and frequent delays by the Government of Oman relative to the timely signing of the DA have caused hardship both for the Company and for the Company Executives. In order to conserve its cash resources, the Company has frequently suspended the already inadequate compensation arrangements it has with the Company Executives by not paying or partially paying such compensation and accruing the unpaid portions of such compensation on its books as compensation payable. The Company Executives have nevertheless exhibited remarkable resiliency, loyalty to the Company and dedication to their work and have labored on diligently, often with little or no compensation, in order to accomplish the Company's single most important strategic objective - the signing the Development Agreement with the Government of Oman. In addition, the Company's president, its vice-president and its Independent Director have each made loans to the Company during the past few years.

As soon as practicable after Oimage LLC signs the DA with the Government, the Company plans to institute a formal plan for performance based compensation for all its executives and senior staff, including the Company Executives. This intended compensation plan will be designed to align executive compensation with the achievement by the Company of its long-term goals and objectives. Until such time as such plan is implemented however, and given the Company's current cash restraints, the Company has attempted to incentivize the Company Executives on an ad hoc basis.

Beginning in 2007 and continuing to date, the Company has frequently suspended and accrued salary payments due to its Company Executives who are officers of the Company. By way of example, from 2011 through 2013, the Company failed, to pay in accordance with its normal payroll procedures a total of \$375,000 of salary due to its president & chief executive officer; a total of \$105,417 of salary due to its vice-president & secretary; and a total of \$153,333 of salary due to its controller & principal accounting officer. Consistent with the Company's practice in periods prior to 2011, such unpaid salaries were accrued on the Company's books as salaries payable and portions thereof were sometimes paid at later dates, as and when the Company's financial circumstances permitted. Significantly, and in a further demonstration of their support of the Company, the Company Executives who are officers of the Company also, from time to time, exchanged portions of the accrued but unpaid salary due them for shares of Common Stock in the Company. None of such share purchases by such Company Executives were executed at preferential prices. In this regard:

In August 2011, the Company's president exchanged \$125,000 of accrued but unpaid salary due to him in order to exercise 100,000 Stock Options at \$1.25 per share then held by him and in March 2012 he also exchanged an aggregate of \$403,413 of unpaid salary and accrued principal and interest due to him from the Company under a promissory note, in order to exercise 322,730 Rights to purchase 322,730 shares of Common Stock at \$1.25 per share in the Company's 2012 Rights Offering, and

In August 2011, the Company's vice-president exchanged \$62,500 of accrued but unpaid salary due to him in order to exercise 50,000 Stock Options at \$1.25 per share then held by him and in March 2012, he also exchanged an aggregate of \$63,088 of unpaid salary and accrued principal and interest due to him from the Company under a promissory note, in order to exercise 50,470 Rights to purchase 50,470 shares of Common Stock at \$1.25 per share in the Company's 2012 Rights Offering, and

In July 2010, the Company's controller exchanged \$100,000 of accrued but unpaid salary due to him in order to purchase 82,305 shares of the Company's Common Stock at \$1.215 per share and in March 2012 he also exchanged \$31,250 of accrued but

unpaid salary due to him in order to exercise 25,000 Rights to purchase 25,000 shares of Common Stock at \$1.25 per share in the Company's 2012 Rights Offering.

The Company's Independent Director has made loans to the Company totaling \$150,000 which are represented by convertible promissory notes.

In an effort to retain the services of the Company Executives (and other Company consultants) which the Company deems critical to its ongoing operations, the Company has issued Stock Options to the Company Executives and to other Company consultants (See: "Equity Compensation Plan Information" and "Employment Agreements and Consulting Agreement" below in this Item 11). In the face of continued delays by the Government of Oman, in December 2013 the Company extended the expiration date of the January 2012 Stock Options held by the Company Executives.

The Company Executives recognize the extraordinary advance in the Company's prospects expected to occur if the DA is signed with the Government and the implementation of the Oimage Project as presently conceived is undertaken by Oimage LLC. While they also recognize the extraordinary personal and professional risks, both financial and otherwise, they have undertaken in order to pursue this Company goal, the Company Executives are nevertheless greatly surprised at the excessive length of time taken by the Government's decision making process and the attendant additional risk incurred by them as a result of those delays.

Should Oimage LLC ultimately fail to sign the DA and move forward with the development of the Oimage Project in Oman, (i) the past several years of excessive risk and under-compensation to the Company Executives will be misused years for them, (ii) the accrued but unpaid compensation payable to the Company Executives will likely be lost, (iii) the shares of the Company's Common Stock purchased by the Company Executives will likely decline in value, and (iv) the Stock Options held by the Company Executives will likely expire worthless.

If, on the other hand, the efforts of the Company Executives on behalf of the Company are successful and the DA is ultimately signed by Oimage LLC and the Government, it is likely that the past years of excessive risk and under-compensation to the Company Executives will have been worthwhile, that the accrued but unpaid salary payable to the Company Executives will likely be paid to them, and that the Common Stock and Stock Options held by the Company Executives will likely become valuable.

In view of the inordinate delays by the Government to date, and the extraordinary efforts, risks and sacrifices undertaken on behalf of the Company by the Company Executives, the Board of Directors has determined that if, and only if, the DA is signed by Oimage LLC and the Government, the Company will then award a one-time cash bonus (a "DA Success Bonus") to each of the Company Executives in compensation for their aforesaid efforts, risks and sacrifices which resulted in the realization of the Company's primary strategic objective of signing the DA. The amount of each such DA Success Bonus has not yet been determined by the Board of Directors but each such amount is expected to be substantial and commensurate with (a) the value added to the Company as a result of the contribution made by each such Company Executive to the Company's success in achieving its primary strategic objective of signing the DA with the Government, and (b) the efforts expended by each such Company Executive in attaining that objective.

If Oimage LLC signs the DA with the Government, then in determining its compensation policies and decisions subsequent thereto, the Company shall seek a shareholder advisory vote on its executive compensation policy (including any proposed DA Success Bonus awards) as required by section 14A of the Exchange Act. The Company does not presently have written employment agreements with any of its executive officers (See: "Employment Agreements and Consulting Agreement" below in this Item 11).

Equity Compensation Plan Information

On March 6, 2014, the Board of Directors approved the adoption of the 2014 Plan pursuant to which the Company will reserve 3,000,000 shares of its authorized but unissued Common Stock for issuance thereunder. The Company intends to seek its shareholders' ratification of the adoption by the Company of the 2014 Plan.

On December 30, 2009, shareholders authorized the Board of Directors to reserve 2,500,000 shares of its authorized but unissued Common Stock (the "Reserved Shares") for issuance under the 2003 Plan. On October 14, 2011, the Company registered the Reserved Shares for resale by filing a registration statement with the SEC on Form S-8. On September 12, 2012, the Company filed a post-effective amendment to the registration statement to reflect stock options that had expired or were cancelled, issued or exercised under the 2003 Plan subsequent to October 13, 2011. The 2003 Plan expired on August 31, 2013 and all of the then outstanding Stock Options issued under the 2003 Plan remain valid until the earlier of their exercise date or expiration date.

The 2003 Plan was, and the 2014 Plan is, designed to attract, retain and motivate employees, directors, consultants and other professional advisors of the Company and its subsidiaries (collectively, the "Recipients") by giving such Recipients the opportunity to acquire stock ownership in Oimage, Inc. through the granting of Stock Options to purchase shares of the Company's Common Stock.

On March 28, 2014 pursuant to the 2014 Plan and a resolution of the Board of Directors, Mr. Lombardo was granted 10,000 Stock Options exercisable at \$1.80 per share which expire on March 27, 2019.

On March 28, 2014 pursuant to the 2014 Plan and a resolution of the Board of Directors, Mr. Hanley was granted 10,000 Stock Options exercisable at \$1.80 per share which expire on March 27, 2019.

On January 15, 2013 pursuant to the 2003 Plan and a resolution of the Board of Directors, Mr. Lombardo was granted 2,000 Stock Options exercisable at \$1.38 per share which expire on January 14, 2018.

On April 13, 2012 pursuant to the 2003 Plan and a resolution of the Board of Directors, Mr. Lombardo was granted 2,000 Stock Options exercisable at \$1.70 which expire on April 18, 2017.

On May 17, 2011 pursuant to the 2003 Plan and a resolution of the Board of Directors, Mr. Lombardo was granted 2,000 Stock Options exercisable at \$0.85 which expire on May 16, 2016.

On January 2, 2012, pursuant to the 2003 Plan and a resolution of the Board of Directors, thirteen individuals who were either employees, directors or consultants to the Company at such time were granted an aggregate total of 1,994,000 January 2012 Options exercisable at \$1.70. On January 31, 2012, 50,000 January 2012 Options previously issued to Mr. Green, an Independent Director, were cancelled in accordance with their terms upon Mr. Green's resignation. On April 9, 2012, Mr. Bucchere, an Independent Director, died and, pursuant to the 2003 Plan, all 50,000 January 2012 Options previously granted to him immediately vested and the expiration date of Mr. Bucchere's January 2012 Options and all other Stock Options then held by him was fixed at April 8, 2013. On April 13, 2012 pursuant to the 2003 Plan and a resolution of the Board of Directors, 21,000 January 2012 Options which were intended to be granted on January 2, 2012 but were not available under the 2003 Plan at such time, were granted to two individuals as follows: (i) a consultant to the Company was granted 10,000 January 2012 Options, and (ii) Mr. Frank Drohan, the Company's president, was granted an additional 11,000 January 2012 Options. In view of the long delays experienced by the Company resulting from the Government's delays in signing the DA and because of the Board of Directors' determination that the continued services of the individuals holding January 2012 Options was required, the Board of Directors resolved on December 26, 2012, to extend the expiration date of all January 2012 Options (including the 50,000 January 2012 Options held by the estate of Mr. Bucchere) to December 31, 2013 and the Board of Directors resolved on December 18, 2013, to again extend the expiration date of all January 2012 Options (including the 50,000 January 2012 Options held by the estate of Mr. Bucchere) to December 31, 2014.

All January 2012 Options are exercisable at \$1.70 per share, have a "cashless exercise" feature, are fully vested as of the date hereof, expire on December 31, 2014, and (except with respect to January 2012 Options held by the estate of Mr. Bucchere) require the holder thereof to be an employee of, or a consultant to, the Company at the time of exercise.

January 2012 Options may be exercised at any time prior to 5 P.M. Eastern Time in the United States on December 31, 2014 as follows, by either: (1) paying the \$1.70 exercise price in cash to the Company, or (2) electing to pay the \$1.70 exercise price via the cashless exercise feature of the January 2012 Options:

- 1) January 2012 Options may be exercised in whole or in part by the holder thereof by delivery of a written notice to the Company (the "Exercise Notice"), of such holder's election to exercise such January 2012 Options, which Exercise Notice shall (a) specify the number of shares of Common Stock ("Option Shares") to be purchased, (b) be accompanied by payment to the Company of an amount equal to \$1.70 per Option Share multiplied by the number of Option Shares for which the January 2012 Options are being exercised (the "Aggregate Option Exercise Price") in cash or wire transfer of immediately available funds, and (c) include the surrender of the relevant certificate representing such January 2012 Options (or an indemnification undertaking with respect to such January 2012 Options in the case of the loss, theft or destruction of such certificate). Such documentation and payment shall be delivered by such holder to a common carrier for overnight delivery to the Company as soon as practicable following the date of such Exercise Notice, but in no event later than December 30, 2014 ("Cash Basis") or
- 2) by delivering an Exercise Notice and in lieu of making payment of the Aggregate Option Exercise Price in cash or wire transfer, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (the "Cashless Exercise"):

Net Number = (A x B) – (A x C)

B

For purposes of the foregoing formula:

- A = the total number of Option Shares with respect to which the relevant January 2012 Options are then being exercised.
- B = the closing bid price of the Common Stock on the date of exercise of the relevant January 2012 Options.
- C = the exercise price of one dollar and seventy cents (\$1.70) in United States currency.

Stock Options Granted to the Named Executive Officers

The following table shows the number of shares of Common Stock covered by exercisable and un-exercisable Stock Options issued pursuant to the 2003 Plan and held by the Named Executive Officers on December 31, 2013. There can be no assurance that the Grant Date Fair Value of Stock Option awards will ever be realized by such Named Executive Officers.

(a) Name	(b) Number of Common Shares Underlying Unexercised Options (#) Exercisable	(c) Number of Common Shares Underlying Unexercised Options (#) Un-exercisable	(d) Option Exercise Price	(e) Option Expiration Date
Frank Drohan (1)	750,000	0	\$ 1.70	December 31, 2014
	100,000	0	\$ 2.60	September 22, 2018
Charles Kuczynski (2)	250,000	0	\$ 1.70	December 31, 2014
	50,000	0	\$ 2.60	September 22, 2018
William Hanley (3)	60,000	0	\$ 1.70	December 31, 2014
Sam Hamdan (4)	750,000	0	\$ 1.70	December 31, 2014
	160,000	0	\$ 1.25	March 30, 2017

- (1) In September 2008, 100,000 Stock Options, vesting ratably over five years, expiring after ten years and exercisable at \$2.60 per share, were granted to the Company's President & Chief Executive Officer. In January and April of 2012, an aggregate of 750,000 Stock Options, vesting 50% upon grant and 50% on July 1, 2012, expiring on December 31, 2014 and exercisable at \$1.70 per share were granted to the Company's President & Chief Executive Officer.
- (2) In September 2008, 50,000 Stock Options, vesting ratably over five years, expiring after ten years and exercisable at \$2.60 per share, were granted to the Company's Vice-President & Secretary. In January 2012, 250,000 Stock Options, vesting 50% upon grant and 50% on July 1, 2012, expiring on December 31, 2014 and exercisable at \$1.70 per share were granted to the Company's Vice-President & Secretary.
- (3) In January 2012, 60,000 Stock Options, vesting 50% upon grant and 50% on July 1, 2012, expiring on December 31, 2014 and exercisable at \$1.70 per share were granted to the Company's Controller & Principal Accounting Officer.
- (4) In March 2007, 160,000 Stock Options, vesting ratably over five years, expiring after ten years and exercisable at \$1.25 per share, were granted to a consultant to the Company who is also the Deputy Managing Director of Oimage LLC. In January 2012, 750,000 Stock Options, vesting 50% upon grant and 50% on July 1, 2012, expiring on December 31, 2014 and exercisable at \$1.70 per share were granted to the Deputy Managing Director of Oimage LLC.

The following table shows the number of shares of Common Stock covered by unexpired non-qualified Stock Options issued to the Named Executive Officers under the 2003 Plan and the 2014 Plan and unexercised as of March 31, 2014.

Name	Number of Options	Exercise Price	Date of Grant	Expiration Date
Frank Drohan	100,000	\$2.60	9/23/2008	9/22/2018
Frank Drohan	739,000	\$1.70	1/2/2012	12/31/2014
Frank Drohan	11,000	\$1.70	4/13/2012	12/31/2014
Charles Kuczynski	50,000	\$2.60	9/23/2008	9/22/2018
Charles Kuczynski	250,000	\$1.70	1/2/2012	12/31/2014
William Hanley	10,000	\$1.80	3/28/2014	3/27/2019
William Hanley	60,000	\$1.70	1/2/2012	12/31/2014
Sam Hamdan	160,000	\$1.25	3/19/2007	3/31/2017
Sam Hamdan	750,000	\$1.70	1/2/2012	12/31/2014

Stock Options Granted to Independent Directors

The following table shows the number of shares of Common Stock covered by unexpired non-qualified Stock Options issued to Independent Directors of the Company under the 2003 Plan and the 2014 Plan and unexercised as of March 31, 2014.

Name	Number of Options	Exercise Price	Date of Grant	Expiration Date
Louis Lombardo	2,000	\$ 0.85	5/17/2011	5/16/2016
Louis Lombardo	50,000	\$ 1.70	1/2/2012	12/31/2014
Louis Lombardo	2,000	\$ 1.70	4/13/2012	4/12/2017
Louis Lombardo	2,000	\$ 1.38	1/15/2013	1/14/2018
Louis Lombardo	10,000	\$ 1.80	3/28/2014	3/27/2019
Salvatore Bucchere	50,000	\$ 1.70	1/2/2012	12/31/2014
Kevin Green	2,000	\$ 0.51	7/1/2010	6/30/2015
Kevin Green	2,000	\$ 0.85	5/17/2011	5/16/2016

On the date of appointment to the Board of Directors, new Independent Directors are entitled to a one-time grant of 6,000 non-qualified stock options (or such other number of options as determined by the Board in its discretion). The price of the Common Stock underlying such options is the closing bid price on the date of grant and the options vest ratably over the three year period subsequent to such date of appointment provided such Independent Director continues to hold office on the date of such vesting. Independent Directors who have served on the Board of Directors for at least 3 years may be granted 2,000 options (or such other number of options as determined by the Board of Directors in its discretion) on the first business day of each fiscal year subsequent to such three years of service (or on such other day subsequent thereto as determined by the Board of Directors in its discretion) at an exercise price equal to the closing bid price on the date of grant and such options shall vest immediately upon grant.

Mr. Lombardo presently holds 66,000 fully vested Stock Options (2,000 exercisable at \$0.85 expiring on May 16, 2016; 2,000 exercisable at \$1.70 expiring on April 12, 2017; 2,000 exercisable at \$1.38 expiring on January 14, 2018; 10,000 exercisable at \$1.80 expiring on March 27, 2019; and 50,000 exercisable at \$1.70 expiring on December 31, 2014). Mr. Lombardo's 50,000 January 2012 Options require him to be an Independent Director of the Company at the time of the exercise of any January 2012 Options.

Mr. Salvatore Bucchere was an Independent Director at the time of his death on April 9, 2012. Pursuant to the 2003 Plan, all Stock Options then held by Mr. Bucchere immediately vested and were assigned an expiration date of April 8, 2013. Subsequently pursuant to resolutions of the Board of Directors, the expiration date for all January 2012 Options (including the 50,000 January 2012 Options held by the estate of Mr. Bucchere) was extended to December 31, 2014. On April 8, 2013, the estate of Salvatore J. Bucchere exercised four thousand (4,000) Stock Options to purchase four thousand (4,000) shares of the Company's Common Stock. 2,000 of such Stock Options were at an exercise price of \$0.51 per share and the other 2,000 of such Stock Options were at an exercise price of \$0.85 per share. Mr. Bucchere's estate presently holds 50,000 fully vested January 2012 Stock Options exercisable at \$1.70 per share and expiring on December 31, 2014.

Mr. Kevin Green was an Independent Director until his resignation on January 31, 2012. Pursuant to their terms, Mr. Green's 50,000 January 2012 Options were cancelled concurrently with his resignation. Mr. Green presently holds 4,000 fully vested Stock Options (2,000 exercisable at \$0.51 expiring on June 30, 2015 and 2,000 exercisable at \$0.85 expiring on May 16, 2016).

Report on the Re-pricing of Any Options or Stock Appreciation Rights

There was no re-pricing of any Stock Options during fiscal year 2013. The Company has never issued any stock appreciation rights. In December 2013, the Company extended the expiration date of all January 2012 Options from December 31, 2013 to December 31, 2014. (See: "Results of Operations" and Note 7 – STOCK OPTIONS to the Company's audited financial statements for the fiscal year ended December 31, 2013).

Employment Agreements

The Company presently has no employment agreements with any of its employees.

Pursuant to a prior employment agreement with the Company (the "Drohan Agreement"), Oimage, Inc. was obligated to employ its President and Chief Executive Officer, Mr. Frank J. Drohan, at an annual base salary of \$125,000 plus an additional amount based on a combination of the Company's net sales and earnings before taxes. The Drohan Agreement also provided for an option to purchase 100,000 shares of Common Stock at \$1.25 per share (the "Drohan Options") and payment by the Company of certain life and disability insurance premiums on Mr. Drohan's behalf. The Drohan Options were exercised by Mr. Drohan in August 2011. By mutual agreement between the Company and Mr. Drohan, the Drohan Agreement was modified to provide that the Company could from time to time suspend salary payments to Mr. Drohan and Mr. Drohan would continue to provide services to the Company pursuant to the Drohan Agreement and the Company would accrue Mr. Drohan's unpaid salary. For the years ended December 31, 2013 and 2012, the Company has continued to accrue salary payable to its President on the basis of an annual salary of \$125,000. At December 31, 2013 and 2012, unpaid accrued officer's compensation due to Mr. Drohan was \$398,154 and \$273,154 respectively. During the year ended December 31, 2012, an aggregate of \$403,413 (\$155,921 of accrued but unpaid officer's compensation due to Mr. Drohan and \$247,492 of principal and interest owed by the Company to Mr. Drohan pursuant to a promissory note) was offset and utilized by Mr. Drohan for the exercise of 322,730 Rights to purchase 322,730 shares of the Company's Common Stock at \$1.25 per share. The Company has agreed to pay any remaining unpaid and accrued salary to Mr. Drohan without interest when and if the Company has the financial resources to do so. On September 23, 2008 the Board of Directors granted 100,000 non-qualified Stock Options to Mr.

Drohan which vested ratably over the five years after the grant date and which are exercisable at \$2.60 per share. All 100,000 of such Stock Options are fully vested as of the date hereof. Expiration of all such Stock Options is ten years from the date of grant. The Board of Directors had determined in January 2012 to grant Mr. Drohan 750,000 January 2012 Options. Because a sufficient number of options were not available under the 2003 Plan at the time however, pursuant to a resolution of the Board of Directors, the Company granted 739,000 January 2012 Options to Mr. Drohan on January 2, 2012. On April 13, 2012 pursuant to a further resolution of the Board of Directors, the Company granted Mr. Drohan an additional 11,000 January 2012 Options. Mr. Drohan's January 2012 Options are fully vested as of the date hereof and require him to be an employee of the Company at the time of the exercise of any January 2012 Options. All January 2012 Options are exercisable at \$1.70 per share, have a cashless exercise feature and may be exercised in whole or in part at any time before their expiry date of December 31, 2014. All unexercised January 2012 Options will expire on December 31, 2014. The Board of Directors has determined that when and if the Development Agreement for the Oimage Project is signed by Oimage LLC and the Government, the Company will award a substantial DA Success Bonus to Mr. Drohan in an amount that has yet to be determined. If Oimage LLC signs the DA with the Government, then in determining its compensation policies and decisions subsequent thereto, the Company shall seek a shareholder advisory vote on its executive compensation policy (including any proposed DA Success Bonus awards) as required by section 14A of the Exchange Act. The Company presently plans to enter into a new employment agreement with Mr. Drohan at some time during 2014, although the terms of such employment agreement have not yet been determined.

Pursuant to a prior employment agreement with the Company (the "Kuczynski Agreement"), Oimage, Inc. was obligated to employ its Vice-President & Secretary, Mr. Charles P. Kuczynski, at an annual base salary of \$75,000, plus an additional bonus based on a combination of the Company's net sales and earnings before taxes. The Kuczynski Agreement provided for an option to purchase 100,000 shares of Common Stock at \$1.25 per share (the "Kuczynski Options"). By mutual agreement between the Company and Mr. Kuczynski, the Kuczynski Agreement was ended but the Kuczynski Options were maintained in effect and the Kuczynski Options were thereafter exercised by Mr. Kuczynski. Mr. Kuczynski is presently employed by the Company at an annual salary of \$100,000 and from 2009 through 2012, Oimage, Inc. has from time to time fully or partially suspended salary payments to Mr. Kuczynski and Mr. Kuczynski has continued to provide services to the Company and the Company has accrued Mr. Kuczynski's unpaid salary which was not paid to him in a timely manner in accordance with the Company's normal payroll practices. For the years ended December 31, 2013 and 2012, the Company partially paid and partially accrued officer's compensation of \$100,000 due in each such year to Mr. Kuczynski. At December 31, 2013 and 2012, unpaid accrued officer's compensation due to Mr. Kuczynski was \$163,575 and \$145,658 respectively. During the year ended December 31, 2012, an aggregate of \$63,088 (\$11,591 of accrued but unpaid officer's compensation due to Mr. Kuczynski and \$51,497 of principal and interest owed by the Company to Mr. Kuczynski pursuant to a promissory note) was offset and utilized by Mr. Kuczynski for the exercise of 50,470 Rights to purchase 50,470 shares of the Company's Common Stock at \$1.25 per share. The Company has agreed to pay any remaining unpaid and accrued salary to Mr. Kuczynski without interest when and if the Company has the financial resources to do so. On September 23, 2008 the Board of Directors granted 50,000 non-qualified stock options to Mr. Kuczynski which vested ratably over the five years after the grant date and which are exercisable at \$2.60 per share. All 50,000 of such Stock Options are fully vested as of the date hereof. Expiration of all such Stock Options is ten years from the date of grant. Pursuant to a resolution of the Board of Directors, the Company granted 250,000 January 2012 Options to Mr. Kuczynski. Mr. Kuczynski's January 2012 Options are fully vested as of the date hereof and require him to be an employee of the Company at the time of the exercise of any January 2012 Options. All January 2012 Options are exercisable at \$1.70 per share, have a cashless exercise feature and may be exercised in whole or in part at any time before their expiry date of December 31, 2014. All unexercised January 2012 Options will expire on December 31, 2014. The Board of Directors has determined that when and if the Development Agreement for the Oimage Project is signed by Oimage LLC and the Government, the Company will award a substantial DA Success Bonus to Mr. Kuczynski in an amount that has yet to be determined. If Oimage LLC signs the DA with the Government, then in determining its compensation policies and decisions subsequent thereto, the Company shall seek a shareholder advisory vote on its executive compensation policy (including any proposed DA Success Bonus awards) as required by section 14A of the Exchange Act. The Company presently plans to enter into a new employment agreement with Mr. Kuczynski at some time during 2014, although the terms of such employment agreement have not yet been determined.

Employment Benefits

Oimage, Inc. sponsors a 401(k) retirement plan for all eligible employees and provides and pays for group medical insurance for all employees choosing to participate in its group medical insurance plan.

The Registrant adopted the Oimage, Inc. 401(k) Plan DTD 10-01-2008 (the "401(k) Plan") which is qualified under Section 401(k) of the Internal Revenue Code as a pre-tax plan for eligible employees of the Company. Oimage, Inc. does not presently match any employee contributions made to the 401(k) Plan. The Registrant made the maximum allowable discretionary contribution to all eligible employees participating in the 401(k) Plan in 2012 and 2013 in the form of 50,834 and 55,253 shares of Common Stock respectively. Future discretionary contributions and/or matching of employee contributions by the Registrant, if any, will be made pursuant to the recommendation of Oimage, Inc.'s Board of Directors.

Consulting Agreement

Effective March 19, 2007 Oimage, Inc. entered into a consulting agreement expiring December 31, 2007 (the "Hamdan Agreement") with Mr. Sam Hamdan. Pursuant to the Hamdan Agreement, (i) Mr. Hamdan provides consulting services to the Company, (ii) under certain circumstances and conditions precedent, Mr. Hamdan may become the President of Oimage, Inc., and (iii) Oimage, Inc. issued Hamdan options to purchase up to 160,000 shares of Oimage, Inc.'s Common Stock at \$1.25 per share (the "Hamdan Option"). The Hamdan Option is fully vested and it expires on March 30, 2017. The Hamdan Option is exercisable only if, at the time of such exercise: (i) the Hamdan Agreement is in effect, or (ii) Hamdan is an employee of the Company. The Hamdan Agreement was renewed four times (effective December 31, 2007, 2008, 2009 and 2010) without further compensation to Mr. Hamdan. Upon the fifth renewal of the Hamdan Agreement effective December 31, 2011 and pursuant to a resolution of the Board of Directors, Mr. Hamdan was granted 750,000 January 2012 Options. Mr. Hamdan's January 2012 Options are fully vested and require him to be an employee of or a consultant to the Company at the time of the exercise of any January 2012 Options. All unexercised January 2012 Options will expire on December 31, 2014. Mr. Hamdan also serves without compensation as the Deputy Managing Director of our 60% owned subsidiary, Oimage LLC. The Hamdan Agreement was again renewed in December 2013 without further compensation to Mr. Hamdan and now expires on December 31, 2014 (See: Exhibit 10.4).

Compensation Committee Interlocks and Insider Participation

Although the information required under this caption is not required for the Company since it is a smaller reporting company, the Registrant nevertheless is choosing to include the following information in order to provide clarity regarding its present circumstances, the structure and membership of its compensation committee, and its future plans regarding membership its compensation committee.

At January 1, 2012, the then three Independent Directors who were members of the Board of Directors, Mr. Lombardo, Mr. Bucchere and Mr. Green comprised the entire membership of the compensation committee. Mr. Green resigned on January 31, 2012 and Mr. Bucchere died on April 9, 2012. Mr. Green was a member of the compensation committee from January 1, 2012 until his resignation on January 31, 2012. Mr. Bucchere was a member of the compensation committee from January 1, 2012 until his sudden and unexpected death on April 9, 2012. Mr. Lombardo was a member of the compensation committee and its chairman during all of 2012 and 2013, and at December 31, 2013, Mr. Lombardo, who is an Independent Director, was the sole member of the compensation committee.

No person who was a member of the compensation committee during 2013 was an officer or employee of the Registrant or a former officer or employee of the Registrant. Other than the \$150,000 loan to the Company made by Mr. Lombardo, no person who was a member of the compensation committee during 2013 is a party to any related party transaction with the Registrant (See: “Directors, Executive Officers and Corporate Governance – Board Committees” and “Certain Relationships and Related Transactions, and Director Independence”).

During the fiscal year ended December 31, 2013, no executive officer of the Registrant served as a:

- i. member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the compensation committee or board of directors of the Registrant, or
- ii. director of another entity, one of whose executive officers served on the compensation committee of the Registrant, or
- iii. member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Registrant.

In view of the ongoing vacancies on its Board of Directors, the Company’s limited resources, and the limited number of Company employees available to address currently pressing business requirements, the Board of Directors resolved on March 15, 2013 to temporarily suspend the activities of the compensation committee and to have responsibility for all such activities assumed by the full Board of Directors. (See: “Compensation discussion and analysis” in this Item 11 above).

The Board of Directors does not expect to fill the two board vacancies for Independent Directors until after the Development Agreement for the Oimage Project is signed with the Government of Oman. Upon the filling of the aforesaid Board of Directors vacancies, two additional Independent Directors will be appointed to the compensation committee.

Compensation Committee Report

Information required under this caption is not required for the Company since it is a smaller reporting company.

Board leadership structure and role in risk oversight

Mr. Frank J. Drohan is the President and Chief Executive Officer of the Registrant and is also the Chairman of the Board of Directors of the Company. Mr. Salvatore Bucchere was the lead Independent Director on the Board of Directors up until his sudden and unexpected death on April 9, 2012. In this capacity, he consulted frequently (at least bi-weekly) with Mr. Drohan (who is often located overseas in Oman) and with Mr. Kuczynski who is a non-independent director and the Vice-President of the Company. Mr. Bucchere, in turn, communicated frequently with the Company’s other two Independent Directors, Mr. Lombardo and Mr. Green (who resigned in January 2012) in order to keep them apprised of current Company issues, events and risks. Mr. Bucchere was an accountant and an audit committee financial expert. Mr. Green is a practicing attorney. Mr. Lombardo is a retired senior executive with extensive experience in risk management at a Fortune 500 company.

In view of the limited human and financial resources of the Company and its singular focus on signing the DA, the Company determined that this board structure was appropriate and effective in carrying out its oversight tasks relevant to the company’s activities and to the risks it faced. The Company greatly regrets the loss of the services of Mr. Green

and Mr. Bucchere, both of whom were valued advisers. Given its present resource constraints however, and what it perceives as the almost completed process leading to a signed DA with the Government, the Company has determined to focus its limited amount of human and financial resources on getting the DA signed and to therefore postpone active recruitment of replacements for its two former Independent Directors until after the DA is signed.

Although he is not an Independent Director, Mr. Kuczynski, an employee, director and Vice-President of the Company, has assumed the internal communications role formerly carried out by Mr. Bucchere. The Board continues as in the past to exercise its oversight function, including its risk oversight, on both a formal and informal basis between and among its directors. Subsequent to signing the DA, the Board will recruit at least two new members as Independent Directors and will at that time review and revise its policies and procedures as deemed necessary to accommodate the expected rapid growth in the Company's activities.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Securities authorized for issuance under equity compensation plans

The Company's shareholders approved the reservation by the Company of two million five hundred thousand (2,500,000) shares of Common Stock for issuance under the 2003 Plan. At December 31, 2013, there were 2,285,000 unexpired Stock Options issued but unexercised under the 2003 Plan. The 2003 Plan expired on August 31, 2013 and all of the then outstanding Stock Options issued under the 2003 Plan remain valid until the earlier of their exercise date or expiration date. The 2003 Plan and the 2014 Plan are explained further in Note 7 to the accompanying consolidated financial statements for the fiscal year ended December 31, 2013.

The following table summarizes information as of the close of business on December 31, 2013 with respect to unexpired and unexercised Stock Options issued under the 2003 Plan.

Equity Compensation Plan Information

Plan Category	Number of shares of Common Stock to be issued upon the exercise of outstanding Stock Options (a)	Weighted average exercise price of outstanding Stock Options (b)	Number of shares of Common Stock remaining available for future issuance under equity compensation plans [excluding shares reflected in column (a)] (c)	
Equity compensation plans approved by shareholders	2,285,000	\$ 1.72	0	
Equity compensation plans not approved by shareholders	0	\$ 0	0	
Total	2,285,000	\$ 1.72	0	**

**On March 6, 2014, the Board of Directors approved the adoption of the 2014 Oimage Inc. Stock Option Plan (the "2014 Plan") pursuant to which three million (3,000,000) shares of Common Stock were reserved for issuance thereunder. The Company intends to seek its shareholders' ratification of the adoption by the Company of the 2014 Plan. As of the date hereof, 40,000 Stock Options have been issued under the 2014 Plan.

The following table sets forth as of April 11, 2014: (i) the number of shares of Oimage, Inc.'s Common Stock beneficially owned by (a) owners of more than five percent of Oimage, Inc.'s outstanding Common Stock who are known to the Company, (b) the officers of Oimage, Inc. and Oimage, LLC individually, (c) the directors of Oimage, Inc., individually, (d) the officers and directors of Oimage, Inc. and Oimage LLC as a group, and (ii) the percentage of ownership of the outstanding Common Stock represented by such shares.

(a) Name and Address	(b) Beneficial Ownership (1)(10)	(c) Percent (1)
Frank J. Drohan (2)(4)	3,375,137	19.9 %
Charles P. Kuczynski (2)(5)	931,163	5.9 %
Louis J. Lombardo (2)(6)	232,487	1.5%
Mohammed K. Al-Sada (3)(7)	1,636,420	10.3%
William Hanley (3)(8)	246,034	1.6 %
Sam Hamdan (3)(9)	910,000	5.6 %
All officers and Directors		
As a Group of 5 Persons	5,694,821	30.7 %

- (1) Applicable percentage ownership in column (c) is based on 15,454,898 Common Shares outstanding as of April 11, 2014 and on Common Shares owned by the named individual including Common Shares underlying Stock Options, Warrants and convertible notes owned by the named individual that are exercisable for Common Shares within 60 days of April 11, 2014. Beneficial ownership and shares outstanding are determined in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended (the "Act"). Common Shares underlying Stock Options, Warrants or convertible notes that are currently exercisable or convertible or exercisable or convertible within 60 days of April 11, 2014 are deemed to be outstanding and beneficially owned by the person holding such Stock Options, Warrants or convertible notes for the purpose of computing the percentage of outstanding Common Shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of outstanding Common Shares owned by any other person.
- (2) The address for each of these individuals is c/o Oimage, Inc. and each is a director of Oimage, Inc. Mr. Drohan and Mr. Kuczynski are officers of the Company.
- (3) The address for each of these individuals is c/o Oimage, Inc. Mr. Hanley is an officer of Oimage, Inc. and Mr. Hamdan is an officer of Oimage LLC.
- (4) Amount in column (b) for Mr. Drohan includes 1,879,677 Common Shares owned of record as of April 11, 2014 by Mr. Drohan plus 1,495,460 Common Shares with respect to which Mr. Drohan has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 100,000 Stock Options exercisable at \$2.60 per share, (ii) 750,000 Stock Options exercisable at \$1.70 per share, (iii) 322,730 Warrants exercisable at \$5.00 per share and (iv) 322,730 Warrants exercisable at \$10.00 per share.
- (5) Amount in column (b) for Mr. Kuczynski includes 530,223 Common Shares owned of record as of April 11, 2014 by Mr. Kuczynski plus 400,940 Common Shares with respect to which Mr. Kuczynski has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 50,000 Stock Options exercisable at \$2.60 per share, (ii) 250,000 Stock Options exercisable at \$1.70 per share, (iii) 50,470 Warrants exercisable at \$5.00 per share and (iv) 50,470 Warrants exercisable at \$10.00 per share.
- (6) Amount in column (b) for Mr. Lombardo includes 59,057 Common Shares owned of record as of April 11, 2014 by Mr. Lombardo plus 173,430 Common Shares with respect to which Mr. Lombardo has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 2,000 Stock Options exercisable at \$0.85 per share, (ii) 2,000 Stock Options exercisable at \$1.70 per share, (iii) 2,000 Stock Options exercisable at \$1.38 per share, (iv) 10,000 Stock Options exercisable at \$1.80 per share, (v) 50,000 Stock Options exercisable at \$1.70 per share, (vi) 13,230 Warrants exercisable at \$5.00 per share, (vii) 13,230 Warrants exercisable at \$10.00 per share, and (viii) a convertible promissory note in the principal amount of \$150,000 which together with \$52,425 of accrued interest thereon (as of March 31, 2014) is convertible at \$2.50 per share into 80,970 Common Shares.

- (7) Amount in column (b) for Mr. Al-Sada includes 1,195,300 Common Shares owned of record as of April 11, 2014 by Mr. Al-Sada plus 441,120 Common Shares with respect to which Mr. Al-Sada has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 220,560 Warrants exercisable at \$5.00 per share and (ii) 220,560 Warrants exercisable at \$10.00 per share.
- (8) Amount in column (b) for Mr. Hanley includes 126,034 Common Shares owned of record as of April 11, 2014 by Mr. Hanley plus 120,000 Common Shares with respect to which Mr. Hanley has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 10,000 Stock Options exercisable at \$1.80 per share, (ii) 60,000 Stock Options exercisable at \$1.70 per share, (iii) 25,000 Warrants exercisable at \$5.00 per share and (iv) 25,000 Warrants exercisable at \$10.00 per share.
- (9) All 910,000 Common Shares included in column (b) for Mr. Hamdan are shares with respect to which Mr. Hamdan has the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Act and are unissued shares underlying (i) 160,000 Stock Options exercisable at \$1.25 per share and (ii) 750,000 Stock Options exercisable at \$1.70 per share.
- (10) Subject to community property laws where applicable, each beneficial owner named in column (a) has sole voting and investment power over the shares beneficially owned by him listed in column (b).

Change in Control Arrangements

No change in control arrangements existed at December 31, 2013.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with related persons

There were no transactions during the Registrant's 2013 or 2012 fiscal years, nor is there any currently proposed transaction, in which the Registrant was or is to be a participant and in which any related person had or will have a direct or indirect material interest, except as follows:

During 2012 the Company engaged the son of the Company's President to perform website design services and paid him \$1,000 plus 5,000 January 2012 Options for services rendered.

The Company incurred a marketing and promotional expense of \$30,220 during 2012 for a sponsorship fee related to the World Conference on Innovation & Entrepreneurship ("WSIE") which was held in Boston, Massachusetts in December 2012. The WSIE conference is owned by Tranzishen, LLC which is an entity owned by Mr. Sam Hamdan. Mr. Hamdan who is the Deputy Managing Director of our 60% owned subsidiary Oimage LLC has a consulting agreement with Oimage, Inc. and he may, under certain circumstances, also become Oimage, Inc.'s president. Mr. Hamdan and Mr. Drohan plan to form a new corporation ("Newco") which will not compete with the Company and which will concentrate exclusively on business and consulting opportunities in the MENA Region.

Related Party Payables

At December 31, 2013, the Company has included \$933,837 of related party payables in its balance sheet. This amount consisted of notes ("Notes") and accrued interest payable, unpaid salary and unreimbursed expenses due to officers and directors of the Company. The Notes are attached hereto as Exhibits 10.6, 10.7, 10.8 and 10.9.

Such \$933,837 of related party payables at December 31, 2013 are due and owing as follows:

1. Notes and accrued interest payable to officers and directors of the Company:

	March 31, 2014	December 31, 2013
Due to Louis J. Lombardo, a director of the Company, interest at 10%, due on demand, convertible into common stock at a conversion price of \$2.50 per share:		
Principal	\$ 150,000	\$ 150,000
Accrued interest	\$ 52,425	\$ 48,726
Totals	\$ 202,425	\$ 198,726

(a) On March 30, 2012 a total of \$298,988 representing the entire principal amount and accrued interest on two Notes which were satisfied in March 2012 (\$247,492 on a note that was due to Mr. Drohan and \$51,496 on a note that was due to Mr. Kuczynski), both as of March 30, 2012, were offset against the payment due from Messrs. Drohan and Kuczynski to the Company for the shares of Common Stock purchased by them pursuant to the exercise of their Rights in the Rights Offering.

(b)

Other than as mentioned in note (a) above, the amounts provided in the above chart reflect the largest aggregate amount of principal outstanding during the periods for which disclosures are provided.

2. Unpaid salary and unreimbursed expenses due to officers and directors of the Company:

	December 31, 2013
Due to Frank Drohan, a Director and the President of the Company	\$399,329
Due to Charles Kuczynski, a Director and the Secretary of the Company	\$163,575
Due to William Hanley, the Controller of the Company	\$168,207
Due to Louis Lombardo, a Director of the Company	\$4,000
Totals	\$735,111

Director Independence

The Company complies with the standards of "independence" under the NASDAQ Marketplace Rules. Accordingly, a director will only qualify as an "independent director" if, in the opinion of our Board of Directors, that person does not have a material relationship with our company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. A director who is, or at any time during the past three years, was employed by the Company or by any parent or subsidiary of the Company, shall not be considered independent. Accordingly Louis J. Lombardo meets the definition of an "independent director" under NASDAQ Marketplace Rule 5605(a)(2). At December 31, 2013 one of the Registrant's three directors, Mr. Lombardo, is independent.

Item 14. Principal Accountant Fees and Services.

Audit Fees

The Company was billed by its independent registered public accounting firm \$37,600 in 2012 and \$42,750 in 2013 for all auditing and review services performed by such firm for the Company in connection with the Company's regulatory filings during such fiscal years.

Audit Related Fees:

None

Tax Fees:

None

All Other Fees:

None

On behalf of the Company and in his capacity as Chairman of the Audit Committee, Mr. Frank J. Drohan hired the Company's registered public accounting firm to perform the audit of the Company's financial statements for the fiscal year ended 2013.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Index to Financial Statements Required by Article 8 of Regulation S-X:

F-1	Report of Independent Registered Public Accounting Firm;
F-2	Consolidated Balance Sheets as of the fiscal years ended December 31, 2013 and December 31, 2012;
F-3	Consolidated Statements of Operations for fiscal years ended December 31, 2013 and December 31, 2012 and for the cumulative period from October 11, 2005 (inception) to December 31, 2013;
F-4	Consolidated Statements of Changes in Stockholders' Deficit for the cumulative period from October 11, 2005 (inception) to December 31, 2013;
F-5	Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2013 and December 31, 2012 and for the cumulative period from October 11, 2005 (inception) to December 31, 2013;
F-6	Notes to the Financial Statements.

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Exhibit Numbers	Description
2	Certificate of Ownership and Merger (3)
3(i)	Restated Certificate of Incorporation of the Company dated June 2, 2010 (1)
3(ii)	By-laws of the Company (2)
4.1	Form of Subscription and Warrant Agent Agreement, dated January 31, 2012 between the Company and Continental Stock Transfer & Trust Company (9)
4.2	Specimen of \$5 Warrant Certificate (9)
4.3	Specimen of \$10 Warrant Certificate (9)
10.1	The CCIC and CCC Agreement (3)
10.2	The May 4, 2011 Standby Equity Distribution Agreement (6)
10.3	The Shareholder Agreement dated as of April 20, 2011 (7)
<u>10.4</u>	<u>The Hamdan Amendment Agreement *</u>
10.5	Amendment Agreement to the May 4, 2011 SEDA, dated June 21, 2011 (8)
10.6	Convertible Promissory Note payable to Frank J. Drohan (12)
10.7	Convertible Promissory Note payable to Charles P. Kuczynski (12)
10.8	Convertible Promissory Note No. 1 payable to Louis Lombardo (12)
10.9	Convertible Promissory Note No. 2 payable to Louis Lombardo (12)
10.10	Lease Extension Agreement expiring December 31, 2015 between Oimage, Inc. and the Empire State Building LLC (13)
10.11	Waiver Letter dated May 22, 2012 signed by the Company and YA Master (10)
10.12	YA Note Purchase Agreement and Amended Schedule III thereto (14)
14	The Code of Ethics (3)
21	Subsidiaries of the Registrant (12)
<u>31</u>	<u>Sarbanes-Oxley 302 certification *</u>
<u>32</u>	<u>Sarbanes-Oxley 1350 certification *</u>
99.1	The Oimage, Inc. 401(k) Adoption Agreement (4)
99.2	Amended Oimage, Inc. 2003 Stock Option Plan (5)
<u>99.3</u>	<u>The Oimage, Inc. 2014 Stock Option Plan *</u>
99.4	Oimage LLC letter to the Minister of Tourism dated December 15, 2013 (11)
EX-101.INS	XBRL INSTANCE DOCUMENT
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

* Filed herewith

- (1) Previously filed with the SEC on July 20, 2010 as an exhibit to the Company's Report on Form 10-Q for the period ended June 30, 2010 and incorporated herein by reference thereto.
- (2) Previously filed with the SEC on November 18, 2005 as an exhibit to the Company's quarterly Report on Form 10-QSB for the period ended September 30, 2005 and incorporated herein by reference thereto.
- (3) Previously filed with the SEC on April 14, 2008 as an exhibit to the Company's Report on Form 10-KSB for the fiscal year ended December 31, 2007 and incorporated herein by reference thereto.
- (4) Previously filed with the SEC on February 25, 2009 as an exhibit to the Company's Report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated herein by reference thereto.
- (5) Previously filed with the SEC on April 14, 2010 as an exhibit to the Company's Report on Form 10-K for the fiscal year ended December 31, 2009 and incorporated herein by reference thereto.

- (6) Previously filed with the SEC on May 5, 2011 as an exhibit to the Company's current Report on Form 8-K and incorporated herein by reference thereto.
- (7) Previously filed with the SEC on November 8, 2011 as an exhibit to the Company's quarterly Report on Form 10-Q for the period ended September 30, 2011 and incorporated herein by reference thereto and a reference copy was filed as an exhibit to the Company's current Report on Form 8-K filed with the SEC on May 31, 2011.
- (8) Previously filed with the SEC on June 21, 2011 as an exhibit to the Company's current Report on Form 8-K and incorporated herein by reference thereto.
- (9) Previously filed with the SEC on February 7, 2012 as an exhibit to the Company's registration statement on Form S-1/A (Registration No. 333-179040) and incorporated herein by reference thereto.
- (10) Previously filed with the SEC on September 12, 2012 as an exhibit to the Company's registration statement on Form S-1/A (Registration No. 333-175168) and incorporated herein by reference thereto.
- (11) Previously filed with the SEC on December 16, 2013 and included in the Company's current Report on Form 8-K and incorporated herein by reference thereto
- (12) Previously filed with the SEC on January 22, 2013 as an exhibit to the Company's Amendment Number 2 on Form 10-K/A amending (a) the Company's Report on Form 10-K filed with the SEC on April 16, 2012 for the fiscal year ended December 31, 2011 (the "Original Filing"), and (b) Amendment No. 1 to the Original Filing filed on Form 10-K/A with the SEC on May 17, 2012, and incorporated herein by reference thereto.
- (13) Previously filed with the SEC on April 1, 2013 as an exhibit to the Company's Report on Form 10-K for the fiscal year ended December 31, 2012 and incorporated herein by reference thereto.
- (14) YA Note Purchase Agreement previously filed with the SEC on August 5, 2013 as an exhibit to the Company's quarterly Report on Form 10-Q for the period ended June 30, 2013 and incorporated herein by reference thereto; Amended Schedule III to the YA Note Purchase Agreement previously filed with the SEC on November 19, 2013 as an exhibit to the Company's quarterly Report on Form 10-Q for the period ended September 30, 2013 and incorporated herein by reference thereto.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 15th day of April 2014 .

Oimage, Inc.

By: /s/ Frank J. Drohan
FRANK J. DROHAN,
Chairman
of the Board of Directors,
President and Chief
Executive and Financial Officer
(Principal Executive Officer
and
Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on April 15, 2014 on behalf of the Registrant and in the capacities indicated.

By: /s/ Frank J. Drohan
FRANK J. DROHAN
Chairman of the Board of
Directors,
President and Chief Executive
and Financial Officer
(Principal Executive Officer
and
Principal Financial Officer)

By: /s/ William Hanley
WILLIAM HANLEY
Controller and Principal
Accounting Officer

By: /s/ Charles P. Kuczynski
CHARLES P. KUCZYNSKI,
Vice President, Secretary and
Director

By: /s/ Louis J. Lombardo
LOUIS J. LOMBARDO,
Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Oimage, Inc.

I have audited the accompanying consolidated balance sheets of Oimage, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended and the cumulative period from October 11, 2005 (inception) to December 31, 2013. The Company is a development stage entity as that term is defined in ASC 915 as issued by the Financial Accounting Standards Board. The presentation of the Company's financial statements is in accordance with the guidance contained in ASC 915 for financial statements of development stage entities. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oimage, Inc. and subsidiaries as of December 31, 2013 and 2012 and the results of their operations and cash flows for the years then ended and the cumulative period from October 11, 2005 (inception) to December 31, 2013, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Michael T.
Studer CPA
P.C.
April 15,
2014
Freeport,
New York

PART I - FINANCIAL INFORMATION

ITEM 1 : FINANCIAL STATEMENTS

OMAGINE, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTITY)
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash	\$ 19,723	\$ 62,127
Prepaid expenses and other current assets	10,275	164,139
Total Current Assets	29,998	226,266
PROPERTY AND EQUIPMENT:		
Office and computer equipment	150,170	141,963
Less accumulated depreciation and amortization	(138,908)	(133,775)
	11,262	8,188
Other assets	29,982	12,161
TOTAL ASSETS	\$ 71,242	\$ 246,615
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Convertible notes payable and accrued interest	\$ 347,935	\$ 320,435
Note payable and accrued interest - YA Global Master SPV,Ltd (less unamortized discount of \$13,332 and \$0, respectively)	163,126	-
Accounts payable	246,857	144,763
Accrued officers payroll	727,612	521,362
Accrued expenses and other current liabilities	117,373	107,528
Total Current Liabilities	1,602,903	1,094,088
Long Term Liabilities	-	-
TOTAL LIABILITIES	1,602,903	1,094,088

STOCKHOLDERS' DEFICIT

Preferred stock:		
\$0.001 par value		
Authorized: 850,000 shares		
Issued and outstanding: - none	-	-
Common stock:		
\$0.001 par value		
Authorized: 50,000,000 shares		
Issued and outstanding:		
14,935,038 shares in 2013 and 14,369,041 in 2012	14,935	14,369
Committed to be issued:		
0 shares in 2013 and 107,500 shares in 2012	-	107
Capital in excess of par value	25,987,795	23,996,481
Deficit accumulated prior to development stage commencing on October 11, 2005	(9,201,144)	(9,201,144)
Deficit accumulated during the development stage commencing October 11, 2005	(18,307,295)	(15,666,705)
Total Oimage, Inc. stockholders' deficit	(1,505,709)	(856,892)
Noncontrolling interests in Oimage LLC	(25,952)	9,419
Total Stockholders' Deficit	(1,531,661)	(847,473)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$71,242	\$246,615

See accompanying notes to consolidated financial statements.

OMAGINE, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTITY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		October 11, 2005 (Inception of Development Stage) to December 31, 2013
	2013	2012	2013
REVENUE:			
Total revenue	\$-	\$-	\$-
OPERATING EXPENSES:			
Officers and directors compensation (including stock-based compensation of \$951,677, \$1,141,458 and \$3,028,036, respectively)	1,259,177	1,449,958	4,997,203
Professional fees	115,698	61,588	1,474,940
Consulting fees (including stock-based compensation of \$773,802, \$ 699,118 and \$1,517,957 respectively)	804,885	736,499	2,765,034
Commitment fees	-	-	300,000
Travel	102,838	136,546	1,097,522
Occupancy	146,897	123,978	1,011,337
Other selling, general and administrative (including sponsorship fee of \$0 and \$30,220, respectively)	201,060	281,406	1,929,542
Total Operating Expenses	2,630,555	2,789,975	13,575,578
OPERATING LOSS	(2,630,555)	(2,789,975)	(13,575,578)
OTHER (EXPENSE) INCOME			
Settlement of Qatar Real Estate development dispute	-	-	1,004,666
Impairment of goodwill	-	-	(5,079,919)
Amortization of debt discount	(9,168)	-	(103,078)
Interest income	-	-	8,805
Interest expense	(36,238)	(35,998)	(279,947)
Other (Expense) - Net	(45,406)	(35,998)	(4,449,473)
NET LOSS FROM CONTINUING OPERATIONS - REAL ESTATE DEVELOPMENT	(2,675,961)	(2,825,973)	(18,025,051)
Add net loss attributable to noncontrolling interest in Oimage LLC	35,371	35,997	91,524
NET LOSS ATTRIBUTABLE TO OMAGINE, INC.	(2,640,590)	(2,789,976)	(17,933,527)

LOSS FROM DISCONTINUED OPERATIONS - SPORTS APPAREL	-	-	(345,990)
NET LOSS	(2,640,590)	(2,789,976)	(18,279,517)
Net preferred stock dividends	-	-	27,778
LOSS APPLICABLE TO COMMON STOCKHOLDERS	\$(2,640,590)	\$(2,789,976)	\$(18,307,295)
LOSS PER SHARE - BASIC AND DILUTED	\$(0.18)	\$(0.20)	\$(1.87)
LOSS PER SHARE - CONTINUING OPERATIONS -REAL ESTATE DEVELOPMENT	\$(0.18)	\$(0.20)	\$(1.83)
LOSS PER SHARE DISCONTINUED OPERATIONS - SPORTS APPAREL	\$(0.00)	\$(0.00)	\$(0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	14,798,906	14,240,622	9,789,997

See accompanying notes to consolidated financial statements.

OMAGINE, INC. AND SUBSIDIARIES

(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

	Preferred Stock		Common Stock Issued and Outstanding		Committed to be issued		Capital in Excess of Par Value	Deficit Accumulated Prior to Development Stage Commencing October 11, 2005	Deficit Accumulated During the Development Stage Commencing October 11, 2005
	Shares	\$0.001 Par Value	Shares	\$0.001 Par Value	Shares	\$0.001 Par Value			
Balances at October 11, 2005 (inception of development stage)	108,350	\$108	5,667,569	\$5,668	-	-	\$13,797,424	\$(9,201,144)	-
Conversion of preferred stock for common stock	(1,250)	(1)	10,000	10	-	-	(9)	-	-
Issuance of preferred stock dividends in common stock	-	-	348	-	-	-	1,457	-	-
Beneficial conversion feature of Convertible Debenture	-	-	-	-	-	-	132,208	-	-
Value of warrant attached to Convertible Debenture	-	-	-	-	-	-	69,421	-	-
Reduction of preferred stock dividends accrual	-	-	-	-	-	-	-	-	116,705
Net loss	-	-	-	-	-	-	-	-	(5,534,319)

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Balances at December 31, 2005	107,100	107	5,677,917	5,678	-	-	14,000,501	(9,201,144)	(5,417,614)
Issuance of common stock for cash	-	-	10,000	10	-	-	19,990	-	-
Issuance of common stock upon conversion of debentures	-	-	495,032	495	-	-	196,882	-	-
Conversion of preferred stock for common stock	(20,163)	(20)	161,300	161	-	-	(141)	-	-
Issuance of preferred stock dividends in common stock	-	-	78,343	78	-	-	63,946	-	-
Stock option expense	-	-	-	-	-	-	56,791	-	-
Beneficial conversion feature of Convertible Debenture	-	-	-	-	-	-	52,778	-	-
Preferred stock dividends	-	-	-	-	-	-	-	-	(21,042)
Net loss	-	-	-	-	-	-	-	-	(767,951)
Balances at December 31, 2006	86,937	87	6,422,592	6,422	-	-	14,390,747	(9,201,144)	(6,206,600)
Issuance of common stock for consulting services	-	-	1,250	1	-	-	749	-	-
Issuance of common stock for cash	-	-	570,000	570	-	-	754,430	-	-
Purchase of common stock for	-	-	(2)	-	-	-	(3)	-	-

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cash									
Issuance of common stock upon conversion of debentures	-	-	547,526	548	-	-	126,396	-	-
Issuance of common stock in payment of accounts payable	-	-	560,067	560	-	-	341,470	-	-
Issuance of common stock upon exercise of warrants	-	-	295,866	296	-	-	1,038,829	-	-
Preferred stock and dividends converted to common stock	(86,937)	(87)	720,188	720	-	-	122,808	-	-
Cancellation of common stock issued for consulting services	-	-	(9,000)	(9)	-	-	(10,942)	-	-
Stock option expense	-	-	-	-	-	-	20,187	-	-
Preferred stock dividends	-	-	-	-	-	-	-	-	(123,441)
Net loss	-	-	-	-	-	-	-	-	(1,043,190)
Balances at December 31, 2007	-	-	9,108,487	9,108	-	-	16,784,671	(9,201,144)	(7,373,230)
Issuance of common stock for consulting services	-	-	2,230	3	-	-	7,498	-	-
Issuance of common stock for cash	-	-	109,500	110	-	-	235,090	-	-
Contribution of common stock to	-	-	20,192	20	-	-	52,480	-	-

401(k) Plan

Issuance of
common stock for
SEDA

commitment fees	-	-	45,830	46	-	-	149,954	-	-
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Cancellation of
common stock

	-	-	(8,712)	(9)	-	-	9	-	-
--	---	---	---------	-----	---	---	---	---	---

Stock option
expense

	-	-	-	-	-	-	60,629	-	-
--	---	---	---	---	---	---	--------	---	---

Net loss

	-	-	-	-	-	-	-	-	(1,307,630)
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Balances at
December 31,
2008

	-	-	9,277,527	9,278	-	-	17,290,331	(9,201,144)	(8,680,860)
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Issuance of
common stock for
cash

	-	-	2,000	2	-	-	1,398	-	-
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Contribution of
common stock to
401(k) Plan

	-	-	72,500	72	-	-	72,428	-	-
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Stock option
expense

	-	-	-	-	-	-	112,328	-	-
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Sale of stock
under Stock
Equity
Distribution
Agreement

	-	-	1,308,877	1,309	-	-	553,691	-	-
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Net loss

	-	-	-	-	-	-	-	-	(1,114,400)
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Balances at
December 31,
2009

	-	-	10,660,904	10,661	-	-	18,030,176	(9,201,144)	(9,795,270)
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Adjustment for
stock splits

	-	-	22	-	-	-	-	-	-
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Issuance of
common stock for

	-	-	336,972	337	-	-	304,163	-	-
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cash									
Contribution of common stock to 401(k) Plan	-	-	289,996	290	-	-	72,210	-	-
Issuance of common stock in payment of salaries payable	-	-	82,305	82	-	-	99,918	-	-
Issuance of common stock for stockholder investor relations	-	-	118,750	119	-	-	47,381	-	-
Stock option expense	-	-	-	-	-	-	110,040	-	-
Sale of stock under Stock Equity Distribution Agreement	-	-	618,697	619	-	-	249,381	-	-
Net loss	-	-	-	-	-	-	-	-	(1,277,000)
Balances at December 31, 2010	-	-	12,107,646	12,108	-	-	18,913,269	(9,201,144)	(11,072,200)
Issuance of common stock for cash	-	-	130,438	131	-	-	264,869	-	-
Contribution of common stock to 401(k) Plan	-	-	51,784	52	-	-	72,448	-	-
Issuance of common stock for SEDA commitment fees	-	-	244,216	244	-	-	299,756	-	-
Stock option expense	-	-	-	-	-	-	92,498	-	-
Sale of stock under Stock Equity Distribution	-	-	193,442	193	-	-	164,807	-	-

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Agreement (Old)									
Sale of stock under Stock Equity Distribution Agreement (New)									
-	-	111,175	111	-	-	229,889	-	-	-
Stock grant to consultant									
-	-	15,000	15	-	-	6,735	-	-	-
Stock options exercised by officers									
-	-	-	-	150,000	150	187,350	-	-	-
Stock grants to foreign consultants									
-	-	-	-	215,000	215	299,495	-	-	-
Adjustments for noncontrolling interests in Oimage LLC									
-	-	-	-	-	-	90,429	-	-	-
Net loss									
-	-	-	-	-	-	-	-	-	(1,804,450)
Balances at December 31, 2011									
-	-	12,853,701	12,854	365,000	365	20,621,545	(9,201,144)	(12,876,700)	-
Issuance of Common Stock committed for stock options exercised by officers									
-	-	150,000	150	(150,000)	(150)	-	-	-	-
Stock grants to foreign consultants									
-	-	215,000	215	(215,000)	(215)	-	-	-	-
Stock Grant to Consultant for services rendered									
-	-	1,994	2	-	-	3,248	-	-	-
Stock Option Expense									
-	-	-	-	-	-	1,761,076	-	-	-
Issuance of Common Stock under New Standby Equity Distribution Agreement (New SEDA)									
-	-	68,480	68	-	-	89,932	-	-	-

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Stock Grants to a stockholder relations agent for fees	15,000	15	107,500	107	177,955	-	-		
Issuance of Common Stock for Rights Offering	-	-	-	-	1,014,032	1,014	1,266,526	-	-
Issuance of Common Stock committed for Rights Offering	-	-	1,014,032	1,014	(1,014,032)	(1,014)	-	-	-
Contribution of Common Stock to 401(k) Plan	-	-	50,834	51	-	-	76,199	-	-
Adjustments for noncontrolling interests in Oimage LLC	-	-	-	-	-	-	-	-	-
Net Loss	-	-	-	-	-	-	-	-	(2,789,970)
Balances at December 31, 2012	-	\$-	14,369,041	\$14,369	107,500	\$107	\$23,996,481	\$(9,201,144)	\$(15,666,700)
Issuance of Common Stock committed to stockholder relations agent for fees	-	-	107,500	107	(107,500)	(107)	-	-	-
Issuance of Common Stock for cash	-	-	100,000	100	-	-	124,900	-	-
Stock option expense	-	-	-	-	-	-	1,445,744	-	-
Issuance of Common Stock for 401(k) Plan contribution			55,253	55	-		76,195		
Stock options exercised by Director's Estate			4,000	4			2,716		
Issuance of Common Stock for cash			71,162	71			74,929		

Stock grant to consultant for services rendered	5,000	5					5,325		
Stock grants to stockholder relation agents for fees	40,000	40					38,500		
Issuance of Common Stock under New Standby Equity Distribution Agreement (New SEDA)	163,094	164					204,836		
Stock grant to IT consultants for fees	19,988	20					18,169		
Adjustments for noncontrolling interests in Oimage LLC	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	(2,640,590)
Balances at December 31, 2013	-	\$-	14,935,038	\$14,935	-	\$-	\$25,987,795	\$(9,201,144)	\$(18,307,200)

See accompanying notes to consolidated financial statements

OMAGINE, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTITY)
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended /December 31		October 11, 2005 (Inception of Development Stage) to December 31, 2013
	2013	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss attributable to Oimage, Inc.	\$(2,640,590)	\$(2,789,976)	\$(17,933,527)
Adjustments to reconcile net loss to net cash flows used by operating activities:			
Loss from discontinued operations - Sports Apparel	-	-	(345,990)
Net loss attributable to noncontrolling interests in			
Oimage LLC	(35,371)	(35,997)	(91,524)
Depreciation and amortization	11,801	3,662	172,916
Impairment of Goodwill	-	-	5,079,919
Stock based compensation related to stock options	1,445,744	1,761,076	3,659,293
Stock-based compensation related to issuance of Common Stock for stockholder investor relations including amortization of \$179,965 and 26,377 in 2013 and 2012 respectively, arising from grants to service providers	179,965	178,077	405,542
Issuance of Common Stock for Consulting fees	23,519	3,250	41,770
Issuance of Common Stock for 401(k) Plan contributions	76,250	76,250	422,500
Cancellation of Common Stock issued for consulting services	-	-	(10,951)
Issuance of Common Stock in satisfaction of SEDA commitment fees	-	-	450,000
Issuance of stock grants to foreign consultants	-	-	299,710
Changes in operating assets and liabilities:			
Prepaid expenses, other current assets and other assets	(5,382)	(144,313)	(167,923)
Accounts Receivable	-	-	86,665
Inventories	-	-	65,401
Other assets	-	-	(235)
Accrued interest on notes payable	28,958	25,625	213,168
Accounts payable	102,094	(232,531)	275,298
Accrued officers' payroll	206,250	168,000	1,319,885
Accrued expenses and other current liabilities	9,845	20,417	67,501
Customer deposits	-	-	(43,212)
Net cash flows used by operating activities	(596,917)	(966,460)	(6,033,794)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment	(8,207)	(9,393)	(49,773)
Net cash flows used by investing activities	(8,207)	(9,393)	(49,773)

CASH FLOWS FROM FINANCING ACTIVITIES:

Loans from officers and directors	-	5,960	(24,923)
Repayment of convertible notes payable	-	(25,000)	(25,000)
Proceeds of issuance of convertible notes payable	-	-	790,000
Proceeds of issuance of note payable to YA Global Master SPV, Ltd.	180,000		180,000
Repayment of note payable to YA Global Master SPV, Ltd.	(25,000)		(25,000)
Proceeds from sale of Common Stock	407,720	90,000	3,278,820
Proceeds from exercise of common stock options and warrants	-	-	1,039,125
Purchase of Common stock	-	-	(3)
Capital contributions from noncontrolling interests in Oimage LLC	-	-	156,000
Proceeds from Rights Offering concluded March 30, 2012	-	731,639	731,639
Net cash flows provided by financing activities	562,720	802,599	6,100,658

NET INCREASE (DECREASE) IN CASH	(42,404)	(173,254)	17,091
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CASH BEGINNING OF PERIOD	62,127	235,381	2,632
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CASH END OF PERIOD	\$ 19,723	\$ 62,127	\$ 19,723
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SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes paid	\$ 965	\$ 1,289	\$ 5,285
Interest paid	\$ 4,896	\$ 8,247	\$ 30,575

NON - CASH FINANCING ACTIVITIES:

Acquisition of Journey of Light , Inc. through issuance of common stock and warrants:

Fair value of assets acquired	\$-	\$-	\$49,146
Goodwill acquired	-	-	5,079,919
Fair value of liabilities assumed	-	-	(243,782)
	\$-	\$-	\$4,885,283
Issuance of convertible notes in satisfaction of accrued officer payroll	\$-	\$-	\$182,015
Issuance of Common Stock on conversion of Debentures and accrued interest	\$-	\$-	\$126,944
Issuance of Common Stock in payment of accounts payable	\$-	\$-	\$342,030
Preferred stock dividend paid in Common Stock	\$-	\$-	\$102,399
Issuance of Common Stock to two officers, pursuant to exercise of stock options granted, satisfied by the reduction of salaries payable to them	\$-	\$-	\$187,500
Issuance of Common Stock in satisfaction of salaries payable	\$-	\$-	\$100,000
Stock subscriptions from Rights Offering concluded March 30, 2012	\$-	\$1,267,540	\$1,267,540
Less stock subscriptions satisfied through reduction of debt:			

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Convertible notes payable and accrued interest	-	328,139	328,139
Accounts payable	-	9,000	9,000
Accrued officers' payroll	-	175,938	175,938
Due officers and directors	-	22,824	22,824
Total	-	535,901	535,901
Stock subscriptions satisfied through payment to Stock Transfer Agent			
agency account (collected by the Company on April 5, 2012)	\$-	\$731,639	\$731,639
Issuance of Common Stock to stockholder relations agents for fees	38,540	-	\$216,617

See accompanying notes to consolidated financial statements.

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OMAGINE, INC. AND SUBSIDIARIES
(A Development Stage Entity)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE NATURE OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1.

Nature of the Business

Oimage, Inc. (“Oimage”) is a holding company incorporated in Delaware in October 2004 which operates through its wholly owned subsidiary, Journey of Light, Inc. (“JOL”) and its 60% owned subsidiary Oimage LLC (“LLC”). Oimage, JOL and LLC are collectively referred to as the “Company”. Both JOL and LLC are in the real estate development business. LLC is the Omani real estate development company established to do business in Oman.

Journey of Light Inc. (“JOL”) was acquired by the Company in October 2005. During 2005, 2006 and 2007 the Company had minimal operations and revenue from its other two then wholly-owned subsidiaries – Ty-Breakers Corp. (“Ty-Breakers”) and Contact Sports, Inc. (“Contact”). The businesses of both Ty-Breakers and Contact were discontinued during 2007 and Ty-Breakers and Contact were merged with and into their parent company in March 2008. On May 1, 2006 a contract dispute between JOL and the State of Qatar regarding the proposed development of a real-estate project in Doha, Qatar was settled by the State of Qatar paying JOL \$1 million.

The Company is a development stage entity (DSE) focused on entertainment, hospitality and real-estate development opportunities in the Middle East & North Africa (the “MENA Region”).

Summary of Significant Accounting Policies

Basis of Presentation – The Company’s financial statements are presented herein in accordance with the guidance provided by ASC 915 promulgated by the Financial Accounting Standards Board for DSE financial statements. The Company has experienced long delays in the start of its operations in Oman and its planned activities have not yet generated revenue. The Company has funded its operating losses to date primarily through the sale of its common stock via private placements, a rights offering to its shareholders and pursuant to a standby equity distribution agreement with an investment fund. Accordingly, its financial statements have been presented in DSE format for the period beginning on October 11, 2005 (the date of the acquisition of JOL and inception of the DSE period) to December 31, 2013.

Principles of Consolidation - The consolidated financial statements include the accounts of Oimage, JOL and LLC. LLC is an Omani corporation, which was organized under the laws of the Sultanate of Oman on November 23, 2009. All inter-company transactions have been eliminated in consolidation.

Financial Instruments - Financial instruments include cash, convertible notes payable, note payable and accrued interest, accounts payable, accrued officers’ payroll, amounts due officers and directors and accrued expenses and other current liabilities. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values, based on market information available to management.

Cash and Cash Equivalents – The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At December 31, 2013 and December 31, 2012, cash includes

approximately \$7,800 and \$36,000 respectively in an Oman bank account not covered by FDIC insurance.

Estimates and Uncertainties - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results as determined at a later date could differ from those estimates.

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Revenue Recognition - The Company follows the guidelines of SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB101). In the event that a subsidiary of the Company signs a development agreement with the Government of Oman, such subsidiary will recognize revenue ratably over the development period, measured by methods appropriate to the services or products provided.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Income Taxes - The Company is subject to income taxes at both the federal and state level. Separate state income tax returns are filed with each state in which the Company is incorporated or qualified as a foreign corporation. Other than LLC which is subject to income taxes in Oman, the Company is not presently subject to income taxes in any foreign country. The Company reports interest and penalties as income tax expense. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using presently enacted income tax rates. The Company establishes a provision for income taxes by applying the provisions of the applicable enacted tax laws to taxable income, if any, for the relevant period. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Stock-based Compensation - Stock-based compensation is accounted for at fair value in accordance with Accounting Standards Codification ("ASC") 718, "Compensation – Stock Compensation". For stock options granted, the Company has recognized compensation expense based on the estimated grant date fair value method using the Black-Scholes valuation model. For such stock option awards, the Company has recognized compensation expense using a straight-line amortization method. ASC 718 requires that stock-based compensation expense be based on awards that are ultimately expected to vest. Stock option expense for the years ended December 31, 2013 and 2012 was \$1,445,744 and \$1,761,076 respectively (See Note 7).

Earnings (Loss) Per Share – Basic earnings (loss) per share is based upon the weighted-average number of common shares outstanding during the relevant period. Diluted earnings (loss) per share is based upon the weighted-average number of common shares and dilutive securities (such as stock options and convertible securities) outstanding during the relevant period. Dilutive securities having an anti-dilutive effect on diluted earnings (loss) per share are excluded from the calculation.

For the years ended December 31, 2013 and 2012, the shares of the Company's \$0.001 par value common stock ("Common Stock") underlying the following dilutive securities were excluded from the calculation of diluted shares outstanding as the effect of their inclusion would have been anti-dilutive:

	Shares Issuable	
	Years Ended December 31,	
	2013	2012
Convertible Notes	139,175	128,174
Stock Options	2,285,000	2,269,000
Warrants	6,422,124	6,363,674
Total Shares of Common Stock Issuable	8,846,299	8,760,848

Non-controlling Interests in Oimage LLC - As of the date of this report LLC is owned 60% by Oimage, Inc. In May 2011, Oimage, Inc., JOL and three new investors entered into a shareholders' agreement (the "Shareholder Agreement") pursuant to which Oimage, Inc.'s 100% ownership of LLC was reduced to 60%. As of the date hereof, the shareholders of Oimage LLC and their associated ownership percentages as registered with the Government of Oman are as follows:

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Shareholder	Percent Ownership
Oimage, Inc.	60%
RCA	25%
CCC-Panama	10%
CCC-Oman	5%
Total:	100%

The Office of Royal Court Affairs (“RCA”) is an organization representing the personal interests of His Majesty Sultan Qaboos bin Said, the ruler of Oman.

Consolidated Contractors International Company, SAL, (“CCIC”) is a 60 year old Lebanese multi-national company headquartered in Athens, Greece. CCIC has approximately five and one-half (5.5) billion dollars in annual revenue, one hundred twenty thousand (120,000) employees worldwide, and operating subsidiaries in among other places, every country in the Middle East.

Consolidated Contracting Company S.A. (“CCC-Panama”) is a wholly owned subsidiary of CCIC and is its investment arm.

Consolidated Contractors (Oman) Company LLC (“CCC-Oman”) is a construction company with approximately 13,000 employees in Oman.

Reclassifications – Certain 2012 account balances have been reclassified to conform to the current year’s presentation.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-11, “Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists” (“ASU 2013-11”), which states that entities should present the unrecognized tax benefit as a reduction of the deferred tax asset for a net operating loss (“NOL”) or similar tax loss or tax credit carry forward rather than as a liability when the uncertain tax position would reduce the NOL or other carry forward under the tax law. The Company will be required to adopt this new standard on a prospective basis in the first interim reporting period of fiscal 2015, however early adoption is permitted as is a retrospective application. The Company is currently evaluating the impact, if any, that ASU 2013-11 will have on its consolidated financial statements.

In October 2012, the FASB issued ASU 2012-04, “Technical Corrections and Improvements” (“ASU 2012-04”). ASU 2012-04 covers a wide range of Topics in the Accounting Standards Codification, including technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in ASU 2012-04 will be effective for fiscal periods beginning after December 15, 2012. The Company anticipates that the adoption of ASU 2012-04 will not materially affect its consolidated financial statements.

In August 2012, the FASB issued ASU No. 2012-03, “Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114 (“SAB 114”), Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)” (“ASU 2012-03”). ASU 2012-03 amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The Company anticipates that the adoption of ASU 2012-03 will not materially affect its consolidated

financial statements.

Certain other accounting pronouncements have been issued by the FASB and other standard setting organizations which are not yet effective and therefore have not yet been adopted by the Company. The impact on the Company's financial position and results of operations from adoption of any such standard is not expected to be material.

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NOTE 2 - GOING CONCERN AND LIQUIDITY

At December 31, 2013, the negative working capital of the Company was \$1,572,905. Further, the Company incurred net losses of \$2,640,590 and \$2,789,976 for the years ended December 31, 2013 and 2012, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts or classification of liabilities that might be necessary in the event the Company cannot continue in existence. The continued existence of the Company is dependent upon its ability to execute its business plan and attain profitable operations or obtain additional financing.

NOTE 3 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of:

	2013	2012
Fair value of restricted shares of common stock issued on December 14, 2012 to investor relations consultant (See Note 6) (a)	\$0	\$151,700
\$29,520 fair value of 30,000 shares of restricted shares of common stock issued to investor relations consultant for period covering September 5, 2013 to March 4, 2014, net of \$19,245 amortization thereof (See Note 6) (a)	\$10,275	\$0
Travel advances	\$0	\$12,439
Totals	\$10,275	\$164,139

(a) Fair values are based on the public trading price of the Company's Common Stock on the date of commitment net of restricted stock discount (calculated under Finnerty Method).

NOTE 4 – CONVERTIBLE NOTES PAYABLE AND ACCRUED INTEREST

	December 31, 2013	December 31, 2012
Due to a director of the Company, interest at 10% per annum, due on demand, convertible into common stock at a conversion price of \$2.50 per share:		
Principal	150,000	150,000
Accrued Interest	48,726	33,726
Due to investors, interest at 15% per annum, due on demand, convertible into common stock at a conversion price of \$2.50 per share:		
Principal	50,000	50,000
Accrued Interest	36,195	28,695
Due to investors, interest at 10% per annum, due on demand, convertible into common stock at a conversion price of \$2.50 per share:		
Principal	50,000	100,000
Accrued Interest	13,014	8,014
	\$ 347,935	320,435

NOTE 5 – NOTES PAYABLE AND ACCRUED INTEREST – YA GLOBAL MASTER SPV LTD.

Notes payable and accrued interest – YA Global Master SPV Ltd. at December 31, 2013 consists of:

	December 31, 2013	December 31, 2012
Due to YA Global Master SPV Ltd., interest at 10% per annum, payable in monthly installments of principal plus interest, due in September 2014.	\$ 175,000	-
Less: Unamortized debt discount	(13,332)	-
Principal, net	161,668	-
Accrued interest	1,458	-
Total	\$ 163,126	-

On July 26, 2013, the Company and YA Global Master SPV Ltd. (“YA”), the investment fund which is a party to the SEDA with the Company, entered into a loan agreement (the “YA Loan Agreement”) whereby the Company borrowed \$200,000 from YA for 12 months at an annual interest rate of 10% (the “YA Loan”). The YA Loan Agreement calls for a 10% monitoring and management fee equal to \$20,000 to be escrowed and paid to Yorkville Advisors LLC thereby making the net YA Loan proceeds to the Company equal to \$180,000. A post-effective amendment updating the SEDA registration statement was declared effective by the SEC on August 15, 2013. The Company received such \$180,000 net proceeds on September 3, 2013 and the YA Loan Agreement was amended to establish November 3, 2013 as the first of eleven installment dates for the YA Loan. Below is a summary of the remaining payments of principal due under the YA Loan Agreement:

1 monthly installment of \$12,500	\$ 12,500
3 monthly installments of \$17,500	52,500

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4 monthly installments of \$20,000	80,000
Final Installment	30,000
Total	\$175,000

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NOTE 6 – COMMON STOCK

In January 2012, the Company issued and sold a total of 25,063 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$40,000. (See Note 9 under “Equity Financing Agreements”).

In January 2012, the Company issued 1,994 restricted shares of Common Stock to a consultant for services rendered valued at \$3,250.

In January 2012, the Company issued 15,000 restricted shares of Common Stock to an investor relations consultant for services rendered valued at \$15,000.

In February 2012, the Company issued and sold a total of 17,705 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$25,000. (See Note 9 under “Equity Financing Agreements”).

In March 2012, the Company issued and sold a total of 25,712 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$25,000. (See Note 9 under “Equity Financing Agreements”).

In March 2012, pursuant to a rights offering, the Company issued and sold a total of 1,014,032 shares of Common Stock to its shareholders for proceeds of \$1,267,540. The Company conducted a rights offering between February 24, 2012 and March 30, 2012 for the sole benefit of its shareholders. The rights offering entitled shareholders to subscribe for up to 3,181,837 shares of the Company’s common stock at a subscription price of \$1.25 per share. A total of 1,014,032 shares were subscribed for in the rights offering. Of the \$1,267,540 total proceeds from the rights offering, \$731,639 of such proceeds (representing 585,311 shares) was collected in cash and \$535,901 of such proceeds (representing 428,721 shares) was satisfied through the reduction of debt (including \$506,750 of such debt due to Company officers and directors).

In May 2012, the Company issued and contributed an aggregate of 50,834 restricted shares of Common Stock valued at \$76,250 to all eligible employees of the Oimage, Inc. 401(k) Plan (two of the three such eligible employees are directors of the Company and all three are officers of the Company). The \$76,250 valuation is based on the \$1.50 closing bid price of the free trading Common Stock on the date of contribution.

On January 16, 2013, the Company issued 107,500 restricted shares of Common Stock to an investor relations consultant for services rendered valued at \$163,078. The Company committed to issue such shares on December 14, 2012 and the \$163,077 valuation is based on the \$1.85 closing bid price of the free trading Common Stock on such commitment date less an 18% restricted stock discount (which was calculated using the Finnerty Method). \$11,377 of such \$163,077 was expensed as investor relations expense in 2012 and the \$151,700 balance was included in prepaid expenses and other current assets at December 31, 2012 and was likewise expensed in 2013 (See Note 3).

On February 20, 2013, the Company issued and sold 100,000 restricted shares of its Common Stock to a non-U.S. corporation for proceeds of \$125,000.

On April 30, 2013, the Company issued and contributed an aggregate of 55,253 restricted shares of Common Stock valued at \$76,250 to all eligible employees of the Oimage, Inc. 401(k) Plan (two of the three such eligible employees are directors of the Company and all three are officers of the Company). The \$76,250 valuation is based on the \$1.38 closing bid price of the free trading Common Stock on January 15, 2013 (the date of the Board of Directors resolution committing to issue such shares).

In May 2013, the Company issued and sold an aggregate of 33,889 restricted shares of its Common Stock to two investors for proceeds of \$35,000.

In May and June 2013, the Company issued and sold a total of 103,521 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$145,000 (See Note 9 under "Equity Finance Agreement").

In July 2013, the Company issued and sold an aggregate of 37,273 restricted shares of its Common Stock to two investors for proceeds of \$40,000.

In July 2013, the Company issued and sold a total of 22,762 shares of Common Stock to YA pursuant to the SEDA, for proceeds of \$25,000 (See Note 9 under "Equity Financing Agreement").

In September 2013, the Company issued 10,000 restricted shares of Common Stock to an investor relations consultant for services rendered valued at \$9,020, which value was calculated using the Finnerty Method based on a \$1.10 bid price of the Company's Common Stock less a 17% discount.

In September 2013, the Company issued and sold a total of 9,686 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$10,000 (See Note 9 under "Equity Financing Agreement").

In September 2013, the Company issued 5,000 restricted shares of Common Stock to a consultant for services rendered valued at \$5,330.

On October 8, 2013, the Company issued 30,000 restricted shares of Common Stock valued at \$29,520 to an investor relations consultant for 2013 services rendered and 2014 services to be rendered. The Company committed to issue such shares on September 12, 2013 and the \$29,520 valuation is based on the \$1.20 closing bid price of the Company's Common Stock on such commitment date less an 17% restricted stock discount (which was calculated using the Finnerty Method). \$19,245 of such \$29,520 was expensed in 2013 and the \$10,275 balance was included in prepaid expenses and other current assets at December 31, 2013 and will be expensed in 2014 (See Note 3).

In October 2013, the Company issued and sold a total of 10,371 shares of Common Stock to YA pursuant to the SEDA, for proceeds of \$10,000 (See Note 9 under "Equity Financing Agreement").

In December 2013, the Company issued and sold a total of 16,754 shares of Common Stock to YA pursuant to the SEDA, for proceeds of \$15,000 (See Note 9 under "Equity Financing Agreement").

In December 2013, the Company issued 19,988 shares of restricted Common Stock to a vendor for services rendered valued at \$15,021, which value was calculated using the Finnerty Method based on a \$0.91 bid price of the Company's Common Stock less a 17% restricted stock discount.

NOTE 7 – STOCK OPTIONS AND WARRANTS

Stock Options

The Company's shareholders approved the reservation by the Company of two million five hundred thousand (2,500,000) shares of Common Stock for issuance under the 2003 Oimage Inc. Stock Option Plan (the "2003 Plan"). The Company has registered for resale the 2.5 million shares of its Common Stock reserved for issuance under the 2003 Plan by filing a registration statement with the SEC on Form S-8. At December 31, 2013, there were 2,285,000 unexpired options ("Stock Options") issued but unexercised under the 2003 Plan. The 2003 Plan expired on August 31, 2013 and all of the then outstanding Stock Options issued under the 2003 Plan remain valid until the earlier of their

exercise date or expiration date.

On March 6, 2014, the Board of Directors approved the adoption of the 2014 Oimage Inc. Stock Option Plan (the “2014 Plan”) pursuant to which three million (3,000,000) shares of Common Stock were reserved for issuance thereunder. The Company intends to seek its shareholders’ ratification of the adoption by the Company of the 2014 Plan. As of December 31, 2013 there were no Stock Options issued under the 2014 Plan. (See Note 11- Subsequent Events).

Both the 2003 Plan and the 2014 Plan were designed to attract, retain and motivate employees, directors, consultants and other professional advisors of the Company and its subsidiaries (collectively, the “Recipients”) by giving such Recipients the opportunity to acquire stock ownership in the Company through the issuance of Stock Options to purchase shares of the Company’s Common Stock.

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The following is a summary of stock option activity under the 2003 Plan for the years ended December 31, 2013 and 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	344,000	\$ 2.01	5.67	\$ 13,860
Granted in 2012	2,017,000	\$ 1.70	0.94	-
Exercised in 2012	-	-	-	-
Forfeited / Expired in 2012	(62,000)	\$ 2.19	-	-
Outstanding December 31, 2012	2,299,000	\$ 1.79	1.58	\$ 52,960
Exercisable at December 31, 2012	2,269,000	\$ 1.78	1.50	\$ 52,960
Outstanding at January 1, 2013	2,299,000	\$ 1.79	1.58	\$ 52,960
Granted in 2013	2,000	\$ 1.38	-	\$ -
Exercised in 2013	(4,000)	\$ 0.68	-	\$ -
Forfeited / Expired in 2013	(12,000)	\$ 3.55	-	\$ -
Outstanding December 31, 2013	2,285,000	\$ 1.72	1.43	\$ 1,100
Exercisable at December 31, 2013	2,285,000	\$ 1.72	1.43	\$ 1,100

On January 2, 2012, pursuant to a resolution of the Board of Directors dated December 8, 2011, the Company granted a total of 1,994,000 stock options (the “January 2012 Options”) to 13 individuals. On January 31, 2012, 50,000 January 2012 Options previously issued to an independent Director were cancelled in accordance with their terms upon such Director’s resignation. On April 9, 2012, an independent director died and, pursuant to the Plan, all 50,000 January 2012 Options previously granted to him immediately vested and the expiration date of his January 2012 Options and all others then held by him were fixed at April 8, 2013. On April 13, 2012, pursuant to a resolution of the Board of Directors, the Company granted a total of 21,000 additional January 2012 Options to 2 individuals (11,000 of which were granted to an individual who is an officer and director) for services rendered. Other than the former independent director that died, all other January 2012 Options vested 50% on the date of issuance and 50% on July 1, 2012 and were to expire on December 31, 2012. On December 26, 2012 pursuant to a resolution of the Board of Directors, the December 31, 2012 expiration date of the 1,965,000 January 2012 Options then outstanding was extended to December 31, 2013 (the “Extension”). On December 18, 2013, pursuant to a resolution of the Board of Directors, the December 31, 2013 expiration date of the 1,965,000 January 2012 Options then outstanding was extended to December 31, 2014 (the “Second Extension”).

Such grants of January 2012 Options included the grant of: (i) an aggregate of 1,049,000 January 2012 Options to the Company’s three Officers; (ii) an aggregate of 150,000 January 2012 Options to the Company’s then three independent Directors; (iii) a grant of 750,000 January 2012 Options to the Deputy Managing Director of Oimage LLC who is also a consultant to the Company and who also holds 160,000 stock options presently exercisable at \$1.25 per share which expire on March 31, 2017 and which were granted pursuant to a March 2007 consulting agreement which expires on December 31, 2014; (iv) a grant of 10,000 January 2012 Options to a consultant to whom the Company

paid consulting fees totaling \$15,000 and \$24,000 during each of the years ended December 31, 2013 and 2012 respectively; and (v) a grant of 5,000 January 2012 Options to the son of the Company's President for website design services rendered (who was also paid \$1,000 during the year ended December 31, 2012 for services rendered). The Company incurred an expense of \$30,220 during 2012 for a sponsorship fee paid to an entity owned by the Deputy Managing Director of Oimage LLC.

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All January 2012 Options are fully vested, provide for a cashless exercise feature, are exercisable at an exercise price of \$1.70 per share and expire on December 31, 2014. The fair value of the 1,994,000 January 2012 Options granted in January 2012 was calculated using the Black-Scholes option pricing model and the following assumptions: (i) \$1.70 share price, (ii) 1 year and 6 month terms [365 days and 184 days], (iii) 161% expected volatility, (iv) 0.10% [1 year term] and 0.04% [6 month term] risk free interest rates. The fair value of the 21,000 January 2012 Options granted in April 2012 was calculated using the Black-Scholes option pricing model and the following assumptions: (i) \$1.70 share price, (ii) 9 month and 6 month terms, (iii) 161% expected volatility, (iv) 0.10% [9 month term] and 0.04% [6 month term] risk free interest rates.

The \$1,685,629 estimated fair value of the initial issuance of all January 2012 Options was calculated using the Black-Scholes option pricing model and such \$1,685,629 was expensed evenly by the Company over the one year 2012 requisite service period of such January 2012 Options.

The \$1,373,326 estimated fair value of the Extension was calculated using the Black-Scholes option pricing model and the following assumptions: (i) \$1.77 share price, (ii) 370 day term of the Extension, (iii) 125% expected volatility, (iv) 0.16% (370 day term) risk free interest rate and such \$1,373,326 was expensed evenly by the Company over the 370 day requisite service period of the Extension (December 27, 2012 through December 31, 2013).

The \$671,440 estimated fair value of the Second Extension was calculated using the Black Scholes option pricing model and the following assumptions (i) \$0.89 share price, (ii) 378 day term of the Second Extension, (iii) 144% expected volatility, (iv) 0.13% (378 day term) risk free interest rate, and such \$671,440 is being expensed evenly over the 378 day requisite service period of the Second Extension (December 19, 2013 through December 31, 2014).

On January 15, 2013 pursuant to a resolution of the Board of Directors an independent director was granted 2,000 stock options valued at \$2,760 which expire on January 14, 2018 and are exercisable at \$1.38.

Salvatore J. Bucchere was an independent director of the Company until his death in April 2012. On April 8, 2013, the Estate of Salvatore J. Bucchere exercised four thousand (4,000) stock options to purchase four thousand (4,000) shares of the Company's Common Stock. 2,000 of such stock options were at an exercise price of \$0.51 per share and the other 2,000 of such stock options were at an exercise price of \$0.85 per share.

A summary of the status of the Company's non-vested shares as of December 31, 2013 and 2012, and changes during the years then ended is as presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Nonvested shares at January 1, 2012	60,000	\$ 2.60	6.83
Granted in 2012	2,017,000	\$ 1.70	0.96
Forfeited / Expired in 2012	(50,000)	\$ 1.70	0.92
Vested in 2012	(1,997,000)	\$ 1.70	0.72
Nonvested shares at December 31, 2012	30,000	\$ 2.60	5.83
Nonvested shares at January 1, 2013	30,000	\$ 2.60	5.83
Granted in 2013	2,000	\$ 1.38	4.83
Forfeited / Expired in 2013	-	\$ -	-
Vested in 2013	(32,000)	\$ 2.52	3.83
Nonvested shares at December 31, 2013	-	-	-

Stock Options Outstanding as of December 31, 2013 (all non-qualified) consist of:

Year Granted	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
2007	160,000	160,000	\$ 1.25	March 31, 2017
2008	150,000	150,000	\$ 2.60	September 23, 2018
2010	2,000	2,000	\$ 0.51	June 30, 2015
2011	4,000	4,000	\$ 0.85	May 16, 2016
2012	1,965,000	1,965,000	\$ 1.70	December 31, 2014
2012	2,000	2,000	\$ 1.70	April 12, 2017
2013	2,000	2,000	\$ 1.38	January 14, 2018
Totals	2,285,000	2,285,000		

The following table summarizes information about stock options outstanding at December 31, 2013:

Stock Options Outstanding				Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Number of Shares	Weighted Average Exercise Price
\$ 0.50 - \$ 1.00	6,000	\$ 0.74	2.11	6,000	\$ 0.74
\$ 1.01 - \$ 2.00	2,129,000	1.67	1.19	2,129,000	1.67

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	2.01 -						
\$	\$3.00	150,000	2.60	4.83	150,000	2.60	
Totals		2,285,000	\$ 1.72	1.43	2,285,000	\$ 1.72	

As of December 31, 2013, there was \$650,508 of total unrecognized compensation cost relating to unexpired stock options. That cost is expected to be recognized \$648,888 in 2014 and \$540 in years 2015, 2016 and 2017.

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Warrants

Simultaneously with the rights offering conducted by the Company between February 24, 2012 and March 30, 2012, the Company also distributed a total of 6,363,674 common stock purchase warrants (“Warrants”) to common stockholders of record on February 24, 2012 (the “Warrant Distribution”). Each Warrant is exercisable for the purchase of one whole share of Common Stock. The exercise price of 3,181,837 of such Warrants is \$5.00 per share and the exercise price of the other 3,181,837 of such Warrants is \$10.00 per share. In the Warrant Distribution, the Company did not distribute 58,450 Warrants (the “California Warrants”) to certain of its shareholders who were residents of California (the “California Shareholders”) because the registration and/or qualification in California of the California Warrants and the Common Stock underlying the California Warrants had not yet then been approved by the California Department of Corporations (the “California Approval”). The Company received the California Approval on February 13, 2013; the registration statement registering the California Warrants and the Common Stock underlying the California Warrants was declared effective by the SEC on April 26, 2013; and the Company distributed the 58,450 California Warrants (29,225 exercisable at \$5 and 29,225 exercisable at \$10) to the California Shareholders in May 2013. All Warrants expire on December 31, 2014 unless redeemed earlier by the Company upon 30 days prior notice to the Warrant holders. The exercise prices of the Warrants and the number of shares of Common Stock that the Company must issue upon exercise of Warrants shall not be subject to adjustment for any reason, including but not limited to, any combinations or subdivisions of Common Stock or any dividend, reclassification, reorganization, merger or spin off.

NOTE 8 - INCOME TAXES

Deferred tax assets are comprised of the following:

	December 31, 2013	December 31, 2012
Federal net operating loss carry forwards	\$ 4,936,000	\$ 4,739,000
State and city net operating loss carry forwards, net of federal tax benefit	1,410,000	1,354,000
	6,346,000	6,093,000
Less: Valuation allowance	(6,346,000)	(6,093,000)
Total	\$ -	\$ -

Management has determined, based on the Company's current condition that a full valuation allowance is appropriate at December 31, 2013.

At December 31, 2013, the Company had federal net operating loss carry forwards of approximately \$14,104,000, expiring in various amounts from fiscal year 2017 to fiscal year 2033.

Current United States income tax law limits the amount of loss available to offset against future taxable income when a substantial change in ownership occurs.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Leases

The Company leases its executive office in New York, NY under a lease which was extended in March 2013 and now expires on December 31, 2015. Oimage LLC leases office space in Muscat, Oman from an unaffiliated third party under a one year prepaid lease commencing in January 2014 and providing for an annual rental of \$35,880. Rent expense for the years ended December 31, 2013 and 2012 was \$146,897 and \$123,978 respectively.

The extended lease on the Company's executive office in New York provides for payment to the landlord for escalation in real estate taxes above the base period and for an allocated share of electricity usage. It also required the Company to increase the security deposit under the lease from \$12,154 to \$29,300.

At December 31, 2013, the future annual minimum lease payments required to be made under non-cancelable operating leases were as follows:

2014	\$	102,878
2015		102,878
Total	\$	205,756

Employment Agreements

The Company presently has no employment agreements with any person.

Pursuant to a prior employment agreement with the Company, Oimage was obligated to employ its President and Chief Executive Officer at an annual base salary of \$125,000 plus an additional amount based on a combination of net sales and earnings before taxes. Provided Oimage LLC signs the Development Agreement with the Government of Oman for the Oimage Project, the Company plans to enter into a new employment agreement with this individual, although the terms of such employment agreement have not yet been determined. For the years ended December 31, 2013 and 2012, the Company has continued to accrue salary payable to its President on the basis of an annual salary of \$125,000. At December 31, 2013 and 2012, unpaid accrued officer's compensation due to this Company officer was \$398,154 and \$273,154 respectively. During the year ended December 31, 2012, an aggregate of \$403,413 (\$155,921 of accrued but unpaid officer's compensation due to this Company officer and \$247,492 of principal and interest owed by the Company to this individual pursuant to a promissory note) was offset and utilized by this individual for the exercise of 322,730 Rights to purchase 322,730 shares of the Company's Common Stock at \$1.25 per share.

Pursuant to a prior employment agreement with the Company, Oimage was obligated to employ its Vice-President and Secretary at an annual base salary of \$100,000. Provided Oimage LLC signs the Development Agreement with the Government of Oman for the Oimage Project, the Company plans to enter into a new employment agreement with this individual although the terms of such employment agreement have not yet been determined. For the years ended December 31, 2013 and 2012, the Company partially paid and partially accrued officer's compensation of \$100,000 due in each such year to its Vice President and Secretary. At December 31, 2013 and 2012, unpaid accrued officer's compensation due to this Company officer was \$163,575 and \$145,658 respectively. During the year ended December 31, 2012, an aggregate of \$63,088 (\$11,591 of accrued but unpaid officer's compensation due to this Company officer and \$51,497 of principal and interest owed by the Company to this individual pursuant to a promissory note) was offset and utilized by this individual for the exercise of 50,470 Rights to purchase 50,470 shares of the Company's Common Stock at \$1.25 per share.

For the years ended December 31, 2013 and 2012, the Company partially paid and partially accrued officer's compensation of \$80,000 due in each such year to its Controller and Principal Accounting Officer. At December 31, 2013 and 2012, unpaid accrued officer's compensation due to this Company officer was \$165,883 and \$102,550 respectively. During the year ended December 31, 2012, \$31,250 of accrued but unpaid officer's compensation due to this Company officer was offset and utilized by this individual for the exercise of 25,000 Rights to purchase 25,000 shares of the Company's Common Stock at \$1.25 per share.

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Contingent Fee Payment Obligation

The Company presently anticipates that soon after the signing of the Development Agreement (“DA”), Oimage LLC will execute an agreement with Michael Baker Corp. (“Baker”) to hire Baker as its Program Manager and Project Manager (the “PM Contract”). The Company has employed Baker to provide design and engineering services through the feasibility and engineering study phases of the Oimage Project. As part of its compensation agreement with Baker, the Company agreed that when and if Oimage LLC signs a DA with the Government of Oman, then, and only then, the Company would be obligated to pay Baker the sum of \$72,000 (the “Contingent Fee”). The Contingent Fee will never be due or owing to Baker if Oimage LLC fails to sign the DA with the Government but the Contingent Fee will be due and owing to Baker from the Company irrespective of whether or not Oimage LLC and Baker execute the PM Contract.

Equity Financing Agreements

On May 4, 2011, Oimage and an investment fund, YA Global Master SPV Ltd. (“YA”), entered into a two year Stand-By Equity Distribution Agreement which was amended on June 21, 2011 (the “SEDA”). Oimage issued 244,216 restricted shares of its Common Stock to YA in satisfaction of \$300,000 of commitment fees due to YA pursuant to the SEDA. The SEDA was originally scheduled to expire on September 1, 2013 but, as of July 26, 2013, it was amended by the parties without any further commitment fee to extend it for one year. The SEDA now expires on September 1, 2014. Pursuant to the terms of the SEDA, Oimage may, in its sole discretion and upon giving written notice to YA (an “Advance Notice”), sell shares of its Common Stock (the “Shares”) to YA at a per Share “Purchase Price” equal to 95% of the lowest daily volume weighted average price for a share of Oimage’s Common Stock as quoted by Bloomberg, L.P. during the five (5) consecutive Trading Days (as such term is defined in the SEDA) immediately following such Advance Notice (the “Pricing Period”). Oimage is not obligated to sell any Shares to YA but may, over the term of the SEDA and in its sole discretion, sell that number of Shares valued at the Purchase Price from time to time in effect that equals up to \$10,000,000 in the aggregate. YA is obligated to purchase such Shares from Oimage subject to certain conditions including (i) Oimage filing a registration statement with the Securities and Exchange Commission (the “SEC”) to register the resale by YA of the Shares sold to YA under the SEDA (“Registration Statement”), (ii) the SEC declaring such Registration Statement effective, (iii) periodic sales of Shares to YA must be separated by a time period equal to five Trading Days, and (iv) the dollar value of any individual periodic sale of Shares designated by Oimage in any Advance Notice may not exceed the greater of (a) two hundred thousand dollars (\$200,000), or (b) the average of the “Daily Value Traded” for each of the five (5) Trading Days immediately preceding the date of the relevant Advance Notice where Daily Value Traded is the product obtained by multiplying the number representing the daily trading volume of shares of the Common Stock for such Trading Day by the closing bid price for a share of Common Stock on such Trading Day. The Registration Statement filed by Oimage was declared effective by the SEC as of August 24, 2011 and its effective status expired on May 25, 2012. Oimage filed an amendment to the Registration Statement with the SEC to continue to make sales of Shares to YA available to it pursuant to the SEDA and on April 25, 2013 the SEC declared such Registration Statement effective. Oimage filed an amendment to the Registration Statement with the SEC on August 8, 2013 to reflect the one year extension of the SEDA and on August 15, 2013 the SEC declared such Registration Statement effective.

Oimage Project

Oimage LLC’s proposed Oimage Project is planned to be developed on one million square meters (equal to approximately 245 acres) of beachfront land facing the Gulf of Oman (the “Oimage Site”) just west of the capital city of Muscat and nearby Muscat International Airport. The Company is awaiting the signing of a Development Agreement between LLC and the Government of Oman for the Oimage Project.

The Oimage Project contemplates the integration of cultural, heritage, educational, entertainment and residential components, including a theme park and associated exhibition buildings, shopping and retail establishments, restaurants and several million square feet of residential development.

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Oimage LLC Shareholder Agreement

Oimage, Inc. and JOL organized Oimage LLC in Oman with an initial cash capital of twenty thousand (20,000) Omani Rials (equivalent to approximately \$52,000). Subsequently, Oimage, Inc., JOL and three new investors (the “New Investors”) entered into an agreement relating to Oimage LLC (the “Shareholder Agreement”). Pursuant to the Shareholder Agreement, Oimage, Inc. made an additional cash capital contribution of 70,000 Omani Rials (equivalent to approximately \$182,000) into Oimage LLC and agreed to make a further additional cash capital contribution (the “OMAG Final Equity Investment”) to Oimage LLC after the execution of the Development Agreement and before the “Financing Agreement Date” (as that term is defined in the Shareholder Agreement) of 210,000 Omani Rials (equivalent to approximately \$546,000). As of December 31, 2013 Oimage, Inc. has invested 90,000 Omani Rials (equivalent to approximately \$234,000) into Oimage LLC and has made cash advances of 15,000 Omani Rials (equivalent to approximately \$39,000) to Oimage LLC against the OMAG Final Equity Investment (See Note 11- Subsequent Events).

Further pursuant to the Shareholder Agreement, the New Investors, in exchange for a 40% share ownership of Oimage LLC, made initial cash capital contributions to Oimage LLC totaling 60,000 Omani Rials (equivalent to approximately \$156,000) and agreed to make additional cash capital contributions to Oimage LLC at the Financing Agreement Date of 26,628,125 Omani Rials (equivalent to approximately \$69,233,125). In addition one of the New Investors agreed to make a non-cash capital contribution to Oimage LLC. The amount of such “payment-in-kind” non-cash capital contribution is yet to be determined and will represent the value of the land constituting the Oimage Site which such investor previously owned and has made available to Oimage LLC for development of the Oimage Project.

NOTE 10 – RELATED PARTY TRANSACTIONS

At December 31, 2013 and 2012, accounts payable and accrued and other current liabilities include \$7,499 and \$2,000 respectively due to officers and directors of the Company.

NOTE 11 – SUBSEQUENT EVENTS

On January 10, 2014, the Company issued 34,374 restricted shares of Common Stock valued at \$26,248 to a law firm for legal services rendered, which value was calculated using the Finnerty Method based on a \$0.92 bid price of the Company’s Common Stock less a 17% restricted stock discount.

In January 2014, the Company issued and sold 72,876 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$60,000 (See Note 9 under “Equity Financing Agreement”).

On February 13, 2014, pursuant to a resolution of the Board of Directors, the Company committed to issue and contribute an aggregate of 75,315 restricted shares of Common Stock valued at \$76,250 to all eligible employees of the Oimage Inc. 401(k) Plan (two of the three such eligible employees are directors of the Company and all three are officers of the Company). The \$76,250 valuation is based on the \$1.04 closing bid price of the Common Stock on the date of the contribution.

In February 2014, the Company issued and sold 100,198 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$175,000 (See Note 9 under “Equity Financing Agreement”).

On March 3, 2014 Oimage, Inc. advanced an additional 14,000 Omani Rials (equivalent to approximately \$36,400) to Oimage LLC against the OMAG Final Equity Investment.

On March 6, 2014, the Board of Directors approved the adoption of the Oimage, Inc. 2014 Stock Option Plan (the "2014 Plan") pursuant to which the Company will reserve 3,000,000 shares of its Common Stock for issuance under the 2014 Plan. The Company intends to seek its shareholders' ratification of the adoption by the Company of the 2014 Plan.

On March 14, 2014, the Company issued and sold 70,000 restricted shares of Common Stock to an accredited investor for proceeds of \$70,000.

On March 28, 2014, pursuant to a resolution of its Board of Directors the Company committed to issue 3,500 restricted shares of Common Stock valued at \$6,101 to a consultant for services rendered, which value was calculated using the Finnerty Method based on the \$2.10 bid price of the Company's Common Stock on March 14, 2014 less a 17% restricted stock discount.

On March 28, 2014, the Company granted an aggregate total of 40,000 Stock Options pursuant to the 2014 Plan to four individuals, one of whom is an independent director of the Company and one of whom is an officer of the Company. 30,000 of such Stock Options vest immediately, 10,000 shall vest on March 28, 2015, and all such Stock Options are exercisable at \$1.80 per share, and expire five years from the grant date. The \$55,376 estimated fair value of the 40,000 Stock Options was calculated using the Black Scholes option pricing model and the following assumptions (i) \$1.80 share price, (ii) a 5 term, (iii) 106 expected volatility, (iv) 1.75% (5 year term) risk free interest rate. Accordingly, \$51,914 will be expensed in the year 2014 and \$3,462 will be expensed in the year 2015.

On April 8, 2014, the Company issued and sold 13,597 shares of Common Stock to YA pursuant to the SEDA for proceeds of \$25,000 (See Note 9 under "Equity Financing Agreement").

On April 11, 2014, the Company issued and sold 150,000 restricted shares of Common Stock to an accredited investor for proceeds of \$150,000. As of April 11, 2014, such accredited investor owns of record 1,195,300 Common Shares which is 7.7% of the Company's 15,454,898 issued and outstanding Common Shares on such date. As of April 11, 2014, such accredited investor also owns 441,120 currently exercisable Warrants that expire on December 31, 2014 (220,560 Warrants exercisable at \$5.00 per share and 220,560 Warrants exercisable at \$10.00 per share) which gives him the right to acquire beneficial ownership as specified in Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended (the "Rule") of 441,120 Common Shares which are unissued shares underlying the 441,120 Warrants. The Rule specifies, among other things, that Common Shares underlying currently exercisable Warrants are deemed to be outstanding and beneficially owned by the person holding such Warrants for the purpose of computing the percentage of outstanding Common Shares owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of outstanding Common Shares owned by any other person. Therefore, as of April 11, 2014 as calculated pursuant to the Rule, such accredited investor is deemed to be the beneficial owner of 1,636,420 Common Shares which is 10.3% of the Company's then deemed to be outstanding 15,896,018 Common Shares.

On April 11, 2014 Oimage, Inc. advanced an additional 12,000 Omani Rials (equivalent to approximately \$31,200) to Oimage LLC and as of such date has made cash advances totaling 41,000 Omani Rials (equivalent to approximately \$106,600) to Oimage LLC against the OMAG Final Equity Investment.

