

ODYSSEY MARINE EXPLORATION INC

FORM 10-K (Annual Report)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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

Commission File Number 001-31895

ODYSSEY MARINE EXPLORATION, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

84-1018684
(I.R.S. Employer
Identification No.)

5215 W. Laurel Street, Tampa, Florida 33607
(Address of principal executive offices)

(813) 876-1776
(Registrant's telephone number including area code)

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

Common Stock, \$.0001 par value
(Title of each class)

NASDAQ Capital Market
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

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

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

The aggregate market value of the 75 million shares of voting stock held by non-affiliates of Odyssey Marine Exploration, Inc. as of June 30, 2013 was approximately \$222 million. As of February 26, 2014, the Registrant had 83,882,577 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K is incorporated by reference to the Company's Definitive Proxy Statement for the Registrant's Annual Meeting of the Shareholders to be held on June 4, 2014.



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

PART I

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

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

ITEM 1. BUSINESS

Overview

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

Odyssey has extensive experience discovering shipwreck sites in the deep ocean and conducting archaeological excavations with remotely operated vehicles (“ROVs”). Odyssey’s historic shipwreck discoveries include the SS *Republic*, HMS *Victory*, “*Black Swan*,” *La Marquise de Tourny*, and many other unidentified shipwrecks. In 2012 and 2013 we set records for the deepest and heaviest cargo recoveries from a shipwreck during our commodity salvage work on the SS *Gairsoppa*. A total of nearly 110 tons of silver, representing more than 99% of the insured silver on board, was recovered from the *Gairsoppa* shipwreck, which is over 15,000 feet deep. In 2010, we began to leverage our core business expertise and technology for deep-ocean mineral exploration. Our expeditions conducted with Neptune Minerals, Inc. and Chatham Rock Phosphate, Ltd. have resulted in the discovery and assessment of significant mineral deposits. We have also begun to explore other deep-ocean mineral projects and are the majority owner of Oceanica Resources S. de R.L. (“Oceanica”), a Panamanian company in which we acquired a majority interest in February 2013. Oceanica, through a wholly owned subsidiary, has exclusive mining permits for an area believed to feature valuable mineral deposits.

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

Our shipwreck projects go through several phases, beginning with research of historical records and academic materials to establish potential target sites for search operations. Sites that meet our criteria are selected for exploratory search that may be completed in weeks or last as long as several years. If and when historic target sites are identified, we undertake an archaeological pre-disturbance survey and archaeological excavation, followed by conservation, recording, documentation, and publication/exhibition. If and when a modern commodity target is identified, surgical removal of deck plates or ship’s structure may be necessary to obtain access to the cargo to be salvaged. Commercial monetization of recovered cargo is conducted under established Admiralty law or contract with sovereign nation governments.

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

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Shipwreck Research Criteria

The United Nations Educational Scientific and Cultural Organization, or UNESCO, has estimated that there are approximately 3,000,000 shipwrecks contained within the oceans of the world. Historical records suggest that many were lost with verifiable cargoes of intrinsically valuable material. Odyssey's research department maintains data on thousands of shipwrecks and continuously develops new potential projects.

Project research may focus on a particular search area where historical documents suggest recorded and unrecorded high-value targets may rest due to the proximity of shipping routes frequented by vessels carrying rich cargoes.

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

Our marine research department continuously conducts research in an attempt to identify shipwreck projects that meet the following criteria:

- *Documented Cargo Value* — The research must indicate that the shipwreck was likely carrying enough intrinsically valuable cargo to cover the high costs associated with deep-ocean exploration and advanced archaeological recovery. Commercially viable cargo typically includes gold, silver, jewels, or other high-value items. Odyssey sometimes engages in the preliminary exploration of a shipwreck for purely scientific purposes, even if the value of the wreck is largely cultural, historical or educational.
- *Documented Navigation Information* — The research must provide sufficient navigational information documenting the sinking location (or a particular area with potential for producing high-value targets) in order to minimize the search area, as well as the cost and time involved, and to provide a reasonable expectation that the shipwreck can be found.
- *Path to Ownership*— The research must resolve or reasonably predict prior to recovery any issues relating to ownership of the shipwreck and its cargo. Questions pertaining to potential claimants, the location of the wreck inside or outside territorial waters, and the nature of the ship's commercial or military mission are some of the important considerations that need to be understood in advance.

Search Operations

Shipwreck or geological deposit search operations are conducted from a research vessel fitted with survey equipment and often with an ROV. Odyssey's ships are capable of conducting deep-sea search operations 24 hours a day, seven days a week and have been deployed throughout the world - in the English Channel, the Mediterranean Sea, and the Atlantic and Pacific Oceans. A search typically begins with a side-scan sonar survey of the target area, which is sometimes coupled with a magnetometer survey, multi-beam bathymetric survey or other acoustic or geophysical survey technologies. The most interesting anomalies on the ocean floor are then inspected visually with an ROV, which sends real-time video images to monitors on the survey vessel for observation by the scientific and technical teams. These images are also downloaded and saved for additional evaluation onshore. Sometimes, it is immediately obvious whether the inspected site is of interest or not—as in the case of geology, modern debris, or when identifiable artifacts are readily apparent on the site. In other instances, it may take additional research and return visits to a site to arrive at probable or positive identity and to determine the next step forward. Even when a shipwreck's identity is confirmed or an area of geological interest is identified, a detailed reconnaissance inspection or pre-disturbance survey may be required prior to commencing any recovery or resource assessment operations.

Archaeological Excavation and Recovery

Many of the shipwrecks we intend to pursue may have important historical and cultural characteristics. All historically or archaeologically significant projects undertaken will be subjected to stringent archaeological standards, thus adding to the body of knowledge of the people, the history and culture of the vessel's time. Adherence to these principles is a core value of the Company, and in addition to satisfying international professional standards, will enhance shareholder value by increasing the economic value of the artifacts and intellectual property rights of each project.

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

The *Odyssey Explorer*, a 251-foot Class II dynamically positioning (DP) ship, serves as Odyssey's principal state-of-the-art deep-ocean archaeological platform for shipwreck exploration. She can carry fuel and stores for missions of up to 60 days, accommodates 42 crew members, including technicians, scientists and archaeologists, and has extensive onboard storage space for workshops, an archaeology laboratory, multiple cranes and a large A-frame for exceptional handling capability. When working on a project, operations are generally conducted 24 hours a day, seven days a week.

The centerpiece of Odyssey's advanced robotic archaeology system is the ROV, which serves as the archaeologist's eyes and hands in the deep ocean. Odyssey owns two work-class ROVs, nicknamed *ZEUS* and *ZEUS II*. The 200HP and 400 HP vehicles, respectively, each stand about 10 feet high and weigh 8 tons. Driven by eight powerful hydraulic thrusters, they are rated to operate up to depths of 2,500 meters (8,200 ft.). Both ROVs have been custom-designed for deep-ocean archaeological survey and recovery operations, including visual inspection, pre-disturbance photographic and video documentation, scientific excavation and artifact recovery. We also own a deep-sea ROV nicknamed *Clio*, capable of operating at depths up to 6,000 meters.

Conservation and Documentation

Shipwreck finds represent a diversity of objects made up of a variety of organic and inorganic materials, including metals, ceramics, glass, leather and other materials that are of cultural, historical, archaeological or educational value. Artifacts recovered from the ocean are generally impregnated with corrosive salts that can be very damaging to the object. In particular, a saltwater environment accelerates the corrosion processes of many metal artifacts. The salts must be removed and artifacts treated in a timely and judicious manner or they will deteriorate and lose their value as diagnostic specimens, museum display objects, or valuable collector's pieces. Therefore, the conservation process is essential to maintaining the integrity of the artifacts as important relics of the past, and for what they may contribute to the historical record and offer to the general public through exhibits, private collections and publications. Every item recovered from a shipwreck site must go through a conservation process, which in some cases may require weeks, months, or even years depending on the artifact's material make-up, the salinity of the water from where it was recovered, and the length of time it remained in the saltwater environment.

Sharing the Story

Odyssey is committed to sharing with the public the thrill and adventure of deep-ocean exploration as well as the historical and scientific knowledge and artifacts acquired from each shipwreck project. We provide an opportunity for collectors and anyone interested in shipwreck exploration to participate in Odyssey's discoveries by owning select duplicate shipwreck cargo items, artifact replicas or collectibles. Odyssey also shares this information through a variety of channels including television, the Internet, books, research papers, periodicals, educational programs and traveling exhibits. A few of these are described as follows:

- *Exhibits* —All of the culturally and archaeologically significant artifacts recovered from our shipwreck projects remain in Odyssey's permanent collection and are available for public exhibits and further study by researchers and academia. Odyssey's *SHIPWRECK! Pirates & Treasure*, an interactive multi-media exhibit, features over 500 artifacts recovered from our deep-ocean shipwreck expeditions. Visitors also are immersed in the technology and process Odyssey uses to find and recover shipwreck treasures. For most of 2013, the exhibit was featured at the Discovery Times Square exhibition center in New York City. In 2014, the exhibit will travel to different museums in Canada and the United States.
- *Television Programming* —Discovery Channel's 3-episode series "SILVER RUSH" premiered in the US in February 2013. A United Kingdom version of the series aired on Channel 5 in the UK in 2013. This programming followed Odyssey's shipwreck operations in 2012 on the *SS Gairsoppa*, *SS Mantola* and *HMS Victory*. Another Discovery Channel 12-episode series, "TREASURE QUEST" premiered worldwide in 2009 and is available for unlimited rebroadcasts worldwide at Discovery Channel's discretion. "TREASURE QUEST" included the discovery of *HMS Victory* and the "*Black Swan*." Both series showcase the Odyssey team as we searched for and discovered shipwrecks with unique stories to tell. The *SS Republic* project was featured in two National Geographic shows, a one-hour special for PBS, "Civil War Gold" and as an episode of National Geographic Ultimate Explorer.

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- *Books and Other Publications* —Shipwreck expeditions and projects are chronicled in various publications including books, newspaper articles, magazine features, archaeological reports, scientific articles, and professional journals. Our goal is to document thoroughly our shipwreck discoveries, while informing, entertaining and educating the general public as well as making our results accessible to the archaeological community. Two books have been published about the SS *Republic* shipwreck: “Lost Gold of the Republic” and “Bottles From the Deep.” Odyssey also developed and supports a number of educational programs, including shipwreck exploration and marine archaeology curriculum developed as an educational tool for our traveling exhibit, *SHIPWRECK! Pirates & Treasure*. The curriculum has also been used successfully as stand-alone lessons in both public and private schools. A variety of reports and publications are now available to the public, including 35 “Odyssey Papers” that are available on our website. Ten of our archaeological papers have been published by Oxbow books in a hard-cover book titled “Oceans Odyssey,” an additional 12 papers are included in “Oceans Odyssey 2,” which was published in 2011. “Oceans Odyssey 3” was published in 2013 and includes six new papers.

Sales and Marketing

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

The recovery of coins and artifacts from the SS *Republic* required us to create a marketing plan specifically to sell these coins and artifacts. Initially, coins were sold to independent coin dealers who sold them through direct marketing and television outlets. The SS *Republic* silver coin program was re-developed in 2008 to take advantage of emerging research on the silver coins from the SS *Republic*. This included the release of the 1861-O silver half dollar issued by the State of Louisiana in between the time it seceded from the Union and when it joined the Confederate States of America. Additionally, Odyssey continued to expand distribution channels in recent years with a broader base of coin and collectible marketers, including opening markets overseas. Given the unique collector appeal of SS *Republic* coins was linked to the American Civil War, to date artifact sales including coins have been predominantly U.S. domestic-based even though we have distributors throughout the world.

The availability of raw materials is primarily dependent on the success of finding intrinsically valuable cargoes from shipwrecks. We recovered over 51,000 coins (approximately 4,000 \$10 and \$20 gold coins and 47,000 silver half dollars) and approximately 14,000 non-coin artifacts from the SS *Republic*. As of December 31, 2013, we have a remaining inventory of approximately 25,000 silver coins.

When we recover bullion or commodity metals in large volumes, it may have to be refined into a form that is readily tradable in today’s bullion and commodity metal markets. We may sell certain parts of the bullion in original form, some of it in refined form, or use some of the metal to make special collection memorabilia.

During 2012, our primary source of revenue was from expedition charter services. In 2012, two customers, Chatham Rock Phosphate Ltd. and Galt Resources, LLC, and the monetization of silver bullion that we recovered on the SS *Gairsoppa* shipwreck and sold via JBR Recovery Limited accounted for 88% of our revenue. During 2013, our primary source of revenue was from the monetization of silver bullion that we recovered on the SS *Gairsoppa* shipwreck. The SS *Gairsoppa* accounted for 87% of our revenues in 2013.

Deep-Ocean Mineral Exploration

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

We have a charter on the RV *Dorado Discovery*, a research vessel custom fitted to conduct deep-ocean mineral exploration. With this platform and specialized equipment, the Odyssey team has the capability to perform precision geophysical and geochemical surveys, detailed mapping, sampling, environmental assessments, drilling, and resource evaluations. The *Dorado Discovery* features survey, geological, exploration, technical and scientific labs as well as refrigerated sample and core storage. In early 2014 we completed installation and testing of a new advanced one-pass drill on the ship. The drill’s coring, vibra-coring and reverse circulation capabilities give the *Dorado Discovery* a unique ability to conduct extensive scout drilling and resource assessment coring, adding to its already extensive suite of mineral exploration technology.

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There are three economically significant seabed mineral resources being explored by Odyssey:

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

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

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

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

Operational Projects and Status

We have numerous shipwreck and other deep-ocean projects in various stages of development around the world. In order to protect the targets of our planned search or recovery operations, in some cases we will defer disclosing specific information relating to our projects until we have located a shipwreck or other potentially valuable resources of interest and determined a course of action to protect our property rights. With respect to mineral deposits, the SEC Industry Guide 7 outlines the Commission's basic mining disclosure policy and what information may be disclosed in public filings. With respect to shipwrecks, the identity of the ship may be indeterminable and the nature and amount of cargo may be uncertain, thus before completing any recovery, specific information about the project may be unavailable.

SS *Central America* Project

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

Odyssey was selected for the project by Ira Owen Kane, the court-appointed receiver who represents Recovery Limited Partnership and Columbus Exploration LLC. Kane is charged with overseeing the recovery project, and has the benefit of a permanent injunction and exclusive salvage rights over the SS *Central America* shipwreck granted by the U.S. District Court for the Eastern Division of Virginia.

From the recovery proceeds, Odyssey would receive a specified day-rate and remuneration of its mobilization costs. In addition, Odyssey would receive 45% of all recovery proceeds exceeding 125% of the day rate fees and mobilization costs paid to Odyssey from the initial proceeds. Odyssey is presently preparing its recovery vessel, the *Odyssey Explorer*, to begin recovery operations on the site in April utilizing the company's own equipment and personnel.

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The SS *Central America* was discovered in 1988 at a depth of approximately 2,000 meters (7,200 ft.). A collection of gold coins, bullion and raw gold were recovered from the site when the wreck was discovered, but the recovery was limited by the technology available to the salvors at the time, and less than 5% of the site was investigated.

“Atlas” Search Project

Between 2005 and 2013, we searched more than 5,000 square nautical miles of seabed in the western English Channel and the Western Approaches to the Channel, recording approximately 300 shipwrecks. The shipwrecks discovered include site “35-F,” the *Marquise de Tornay*, and HMS *Victory* (1744) as well as other identified and unidentified shipwrecks. Additional high-value targets are believed to be within the “Atlas” search area. Operations in the “Atlas” search area during 2012 included additional search, inspection and verification work on several targets as well as pre-disturbance survey work on HMS *Victory*. Additional shipwrecks were located and mapped in 2013.

HMS *Victory* Project

In 2008, Odyssey discovered the HMS *Victory* (lost 1744). Odyssey is recognized by the owner and under maritime law, salvor-in-possession of the wreck. After a period of joint consultation between the UK Ministry of Defense (MOD) and the UK Department for Culture, Media and Sport, and a public consultation period, the title to the HMS *Victory* was transferred to the Maritime Heritage Foundation in January 2012. The Foundation, a charity established to locate shipwrecks, investigate, recover and preserve artifacts to the highest archaeological standards and to promote knowledge and understanding of Britain’s maritime heritage, has now assumed responsibility for the future management of the wreck site.

The Foundation has contracted with Odyssey to provide a full range of archaeological, recovery, conservation and other services.

No fieldwork was conducted at the *Victory* shipwreck site in 2013, however three papers were published, including *HMS Victory (Site 25C). Preliminary Results of the Non-Disturbance Shipwreck Survey, 2012 (2013)*. In addition, a website was created dedicated to HMS *Victory* (www.victory1744.org) which includes a unique virtual dive trail. Ten archaeological papers and reports about the site are also available on the website at <http://www.victory1744.org/publications.html>. Additional reports and information about the shipwreck site will be published on this website when approved for release by the Maritime Heritage Foundation.

A detailed project design for the archaeological excavation of the site, including a complete plan for recording, documentation, conservation, publication and public education has been submitted to the UK Ministry of Defence’s Advisory Group. As the exclusive archaeological contractor to the Maritime Heritage Foundation (the owner of the shipwreck), Odyssey is awaiting instructions from the Foundation.

“*Gairsoppa*” Project

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

The SS *Gairsoppa* was a 412-foot steel-hulled British cargo ship that was torpedoed by a German U-boat in February 1941 while enlisted in the service of the UKG Ministry of War Transport. The Ministry of War Transport paid a War Risk Insurance Claim for £325,514 (\$542,000) (in 1941 value) for 2,817 bars of silver that were reported to be on board the *Gairsoppa* when she sank. The UKG only paid this insurance on privately owned cargo. Any cargo owned by the UKG would not have been insured through the War Risk Insurance Office.

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

Search operations began in July 2011. On September 26, 2011, we announced confirmation of the identity and location of the SS *Gairsoppa* approximately 300 miles southwest of Galway, Ireland, in waters approximately 4,700 meters deep.

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Initial recovery operations for the 2012 season began aboard the MV *Seabed Worker* on June 4, 2012, and ended on September 23, 2012 due to deteriorating weather conditions in the North Atlantic and a previous commitment of the *Seabed Worker* to another charter. During 2012 operations, a total of 1,218 silver ingots, weighing approximately 1.4 million troy ounces, were recovered from the SS *Gairsoppa*, as well as several hundred artifacts which were declared to the UKG Receiver of Wreck. In May 2013, Odyssey returned to the SS *Gairsoppa* site with the MV *Seabed Worker*. An additional 61 tons, or 1.8 million troy ounces, of silver in 1574 ingots were recovered in the 2013 season. The total of 2,792 ingots of silver recovered represent more than 99% of the insured silver reported on board when the *Gairsoppa* sank.

The silver recovered in the 2012 season and a small amount of gold derived from refining the silver was sold for \$41 million. The silver recovered in the 2013 season and a small amount of gold derived from refining the silver was sold for \$35 million. These amounts are the value of the silver sold after the processing fees of the refiner but before the split between the UK government and Odyssey. The majority of the silver bullion recovered was refined and sold on the London Metals Exchange. Some of the silver ingots were preserved and sold to collectors in 2013.

“Mantola” Project

Odyssey was also awarded the salvage contract for the cargo of the SS *Mantola* by the UKG Department for Transport. On October 10, 2011, we announced the discovery of the SS *Mantola*, which sank on February 9, 1917, after being torpedoed by German submarine U-81. Odyssey discovered the shipwreck approximately 2,500 meters beneath the surface of the northern Atlantic Ocean, approximately 100 miles from the SS *Gairsoppa* shipwreck.

In 1917, the UKG Ministry of War Transport paid a War Risk Insurance Claim for £110,000 (\$183,000) (in 1917 value) for silver that was reported to be on board the *Mantola* when she sank. This sum would equate to more than 600,000 ounces of silver based on silver prices in 1917. In September 2011, the UK Government Department for Transport awarded Odyssey a salvage contract for the cargo of the SS *Mantola*. The terms and conditions are similar to the SS *Gairsoppa* salvage contract. Under the agreement, Odyssey will retain 80% of the net salvaged silver value recovered.

The *Mantola* shipwreck site is not far from the *Gairsoppa* shipwreck site. In both the 2012 and 2013 seasons, while primarily focusing on the silver recovery of the *Gairsoppa*, Odyssey spent a few days over the *Mantola* site. During the 2013 season, we tested our newly developed precision cutting tool. Although the tests were successful and we were able to gain entry into a storeroom on the fifth deck where the silver is believed to be located. We did not locate any silver on the *Mantola* while searching a small part of the overall vessel. Odyssey retains the right to return to this shipwreck in the future.

Commodity Wreck Program

In addition to salvage rights on the *Gairsoppa* and *Mantola* projects, the Company has negotiated salvage contracts with ship owners that will award 90% of the net recovered cargo value to Odyssey for four separate deep-ocean shipwrecks carrying valuable commodities when they sank. There are additional valuable shipwrecks that do not require salvage agreements that can be added to the program and undertaken while Odyssey has a ship and equipment nearby. Odyssey’s research has also identified numerous other shipwrecks carrying potentially valuable commodity cargos.

Planning is underway to assemble the necessary ships and equipment for the exploration, assessment and recovery of these cargoes. Odyssey recently conducted tests of a new 6,000 meter inspection class ROV, a new 3,000 meter depth capable 7160 hull mounted multi-beam, and a 12khz 6,000 meter echo-sounder which can be utilized on these commodity projects. In addition, an advanced custom 6,000 meter depth capability search system that utilizes dual 7125 multi-beam systems has been ordered with delivery expected in Q2 2014 for use on commodity shipwreck search and inspection projects.

Depending on the availability of recovery ships, expert off-shore project managers, and equipment, we plan on pursuing further commodity shipwrecks in the near and medium term. Before initiating recovery efforts on any of these commodity shipwrecks, a reconnaissance trip to the sites is required in order to determine the position and condition of the ships and to define the specific equipment needed for the recovery operations.

Robert Fraser Projects (RFP)

In September 2010, we executed agreements to provide supplementary project research and shipwreck search and survey services for a project code-named “*Enigma II*” with clients of RFP. (Our initial project with RFP, which began in November 2009 code-named “*Enigma*,” was completed in March 2010. Eight target sites were identified, including two sites that had some of the characteristics of the “*Enigma*” shipwreck. However, our subsequent analysis indicated that the sites were not the “*Enigma*.”) As part of the agreements for the “*Enigma II*” project, Odyssey furnished research related to the anticipated location of the “*Enigma II*” and agreed to provide the research vessel, equipment and crew to search a specified

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area and inspect targets in that area. Survey operations were completed in 2010. In January 2011, we executed agreements to provide additional marine archaeological excavation and related services on the “*Enigma II*” project to certain client companies of RFP. The contract provides for work to be conducted on the shipwreck site that Odyssey discovered and inspected in order to verify the contents of the target shipwreck. The contract provides for cash payments totaling approximately U.S. \$2.3 million to Odyssey (of which \$2 million was received in 2011), plus additional payments based upon revenue derived from the project. After the repayment of all recovery costs, Odyssey will receive at least 50% of net revenue until an additional £1.9 million (approximately U.S. \$3.0 million) has been received and then will receive a minimum of 50% of further net revenue in accordance with the search contracts. In November 2012, Odyssey undertook a preliminary verification survey of the site and obtained organic samples from the site which have been analyzed by scientific laboratories to determine their age and origin. Preliminary results suggest that the target may be older than would be expected of the target shipwreck based on dating of wood samples from the site. Additional work on this project will be undertaken when conditions in the region are favorable and as dictated by the contract and/or the client companies of RFP.

In April 2011, we executed an agreement to provide marine services, including mining exploration and drilling operations, to client companies of RFP in a tenement area controlled by Dorado Ocean Resources (now Neptune Minerals, Inc.). The drilling was to be conducted on a Seafloor Massive Sulfide (SMS) deposit that was surveyed during exploration of the Dorado concession areas in 2010. The contract provided for preliminary cash payments totaling approximately U.S. \$1.4 million to Odyssey plus additional payments based upon revenue derived from the project. Preliminary drilling operations which resulted in drilling of 8 holes were undertaken in November 2012. The preliminary geological report from this operation did not indicate any commercially viable deposit in the areas that were drilled. A termination agreement was entered into during December 2013 under which £267,787 (\$440,054) and 31,624 shares of Neptune Minerals Class B Common Stock were refunded against the initial cash payment and the parties released each other from any further obligations under the agreement.

Subsea Mineral Mining Exploration Projects

We currently own 6.2 million of Class B non-voting shares of Neptune Minerals, Inc., (“Neptune”) a company focused on discovering and commercializing high-value mineral deposits. In the past, Neptune has been successful in attracting the investment capital required to fund mineral exploration expeditions and has initiated an exploratory drilling program on one of their highly prospective tenement areas. Neptune completed capital raises in December 2011 at \$12.00 per share of Class B common stock and private placement in 2012 for approximately \$17 million at \$17.50 per share. In 2013, we extended a convertible loan of \$500,000 to Neptune, which was fully reserved for at December 31, 2013. Our current ownership of Neptune is approximately 30%.

In May 2012, we received our final cash payment of \$1 million for charter services from Chatham Rock Phosphates, Ltd. We also received 9.3 million shares of Chatham Rock Phosphates Ltd. common stock for charter services valued at \$1.7 million (12.2 % of Chatham shares outstanding). Chatham Rock Phosphates Ltd. currently holds a license covering over 4,000 square kilometers off the coast of New Zealand believed to have significant seabed deposits of rock phosphate and other potentially valuable minerals. Since our share acquisition, other major investors have acquired shares that have diluted our position to under 10%. In December 2013, Chatham Rock Phosphates received the governmental mining permit for their tenement area.

In February 2013, we disclosed Odyssey’s ownership interest, through Odyssey Marine Enterprises, Ltd., a wholly owned Bahamian company (“Enterprises”), in Oceanica Resources, S. de R.L., a Panamanian company (“Oceanica”). Oceanica’s subsidiary is in the business of mineral exploration and controls exclusive permits in an area which is believed to feature a valuable mineral resource based on extensive exploratory activities undertaken by Odyssey. Preliminary resource assessments suggest the concessions, which have been granted for a 50-year period to the wholly owned subsidiary of Oceanica, may have significant economic and strategic value. Odyssey initially held 77.6 million of Oceanica’s 100.0 million outstanding shares. Subsequently, Enterprises sold and transferred to Mako Resources, LLC (“Mako”) 15.0 million shares for a purchase price of \$1.00 per share, or \$15 million, and granted Mako options to purchase an additional 15.0 million shares at the purchase price of \$2.50 per share before December 31, 2013.

In June 2013, Mako agreed to an early exercise of a portion of these options to purchase 8 million shares at a reduced exercise price of \$1.25 per share. As part of Odyssey’s strategy to maintain a control position in Oceanica, in parallel with the early exercise, Odyssey purchased one million shares of Oceanica from another Oceanica shareholder at \$1.25 per share in a transaction that provides a one-year option to purchase an additional one million shares at \$2.50 per share. This transaction also grants Odyssey voting rights on an additional three million shares of Oceanica held by such other Oceanica shareholder so long as there is no change in control of Odyssey.

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An option to purchase an additional one million shares was exercised by Mako on December 30, 2013 for a total amount of \$2.5 million. The option exercise expiration date for the remaining six million shares was extended until December 31, 2014 with the following modifications: Odyssey will retain voting rights on these six million shares for three years after they are exercised unless there is a change of control at Odyssey, in which case the voting rights will revert to Mako; the exercise price will increase by \$0.08 each month beginning on February 1, 2014; the expiration date will accelerate in the event that 5% or more of Oceanica's equity is acquired by a third party at a valuation of \$500 million or more, or when permits to conduct resource recovery operations are issued by the governing jurisdiction.

Other Syndication Projects

In February 2011, Odyssey entered into a project syndication deal with Galt Resources LLC ("Galt"). Odyssey received \$7.5 million in cash from Galt. In return Galt received the rights to future revenues of selected project(s) equaling its initial investment plus three times the investment, to be paid out of proceeds of the project(s). In addition, Galt will share in the future net proceeds of the selected project at the rate of 1% for every million invested. In January 2012, Odyssey and Galt agreed to bifurcate Galt's selection between two projects, the SS *Gairsoppa* and HMS *Victory*. Galt has received two times its initial investment of \$7,512,500 from Odyssey's proceeds from the SS *Gairsoppa* and will receive no further disbursements from that project. Galt received \$2.5 million in November 2012 and the remaining \$12.5 million in February 2013. Galt will also receive 50% of Odyssey's net proceeds, if any, on the HMS *Victory* project until Galt receives two times its initial investment and thereafter will receive 7.5125% of Odyssey's net proceeds from the HMS *Victory* project.

HMS *Sussex* Project

On September 27, 2002, we entered into an agreement with the Government of the United Kingdom of Great Britain and Northern Ireland, which we refer to as Her Majesty's Government (HMG), which allows us to conduct an archaeologically sensitive exploration of the shipwreck believed to be HMS *Sussex* and to recover artifacts from the shipwreck site. The agreement provided for us to submit a Project Plan to HMG concerning the equipment, personnel and methodologies we intend to use in the exploration of the shipwreck, and the conservation and documentation of any artifacts and cargo that may be recovered. This Plan was submitted and approved. We began exploration of the site during December 2005. The work on the site has been interrupted do to interference from the Spanish government.

As a sovereign warship, HMS *Sussex* remains the property of HMG which, to our knowledge, has not been contested by the Spanish government or other entities. As part of the partnering agreement signed between Odyssey and HMG in 2002, the following sharing arrangements have been agreed upon with respect to the aggregate amount of the appraised values and/or selling prices of the artifacts, net of agreed selling expenses:

<u>Range</u>	<u>British Government</u>	<u>Odyssey</u>
\$0 – \$45 million	20%	80%
\$45 million to \$500 million	50%	50%
Above \$500 million	60%	40%

Our agreement with HMG is for a period of 20 years, and can only be terminated if:

- the shipwreck is not HMS *Sussex* ;
- we are in serious breach of our obligations under our agreement with HMG.

Admiralty Legal Proceedings

"Black Swan" Arrest

The Eleventh Circuit Court of Appeals upheld the dismissal of the case by the United States Federal District Court for the Middle District of Florida finding no subject matter jurisdiction under the Foreign Sovereign Immunities Act. Without concluding that the coins and artifacts recovered were owned by the Kingdom of Spain, the Court upheld the order to transfer all property to Spain based upon a finding that it was once carried aboard the *Nuestra Senora de Las Mercedes*, a Spanish naval vessel. The United States Supreme Court declined to hear the case. On February 23, 2012, Odyssey complied with the Court's order by transferring the coins and artifacts to Spain. On April 16, 2012, Spain filed a motion with the district court claiming \$3.2 million in total fees and costs. Odyssey filed an affidavit disputing the fees claimed by Spain. On September 26, 2013, the Magistrate Judge awarded \$1,073,000 to Spain, or roughly 1/3 of the amount requested. Odyssey made this payment to Spain in October 2013. There are currently no claims or legal proceedings against Odyssey for the Black Swan.

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All of Odyssey's significant filings to-date, including those made at the district court level, can be viewed at <http://www.shipwreck.net/blackswanlegal.php>.

Unidentified Shipwreck (Bray Case)

On August 15, 2012, the district court dismissed this case once again, finding that the Plaintiff had failed to state a cause of action upon which relief could be granted. The dismissal was upheld on appeal and the case is now closed.

Legal and Political Issues

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

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

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

These factors are taken into account in determining whether to proceed with a project as planned. Other factors, such as the UNESCO Convention for the Protection of Underwater Cultural Heritage are also taken into consideration. New political initiatives such as this Convention could require compliance with additional cultural resource management guidelines and regulations. Some of these will require adherence to strict archaeological practices and we intend to follow reasonable guidelines in all projects to which they are applicable. Greg Stemm, Odyssey's Chief Executive Officer and co-founder, was a member of the United States delegation that negotiated the UNESCO Convention, and as such provides us with a thorough understanding of the underlying principles and ramifications of the Convention, and advance notice of other cultural resource management issues that might affect our projects.

The UNESCO Convention is not expected to impact operations in international waters, and the United States, the United Kingdom and other major maritime governments have already stated explicitly that they do not intend to sign the Convention. Nevertheless, some countries in whose waters we may consider working may sign or have already signed the Convention. While the UNESCO Convention states that artifacts may not be sold, it also states that this prohibition may not prevent the provision of archaeological services, and we intend to provide such services in contracts with governments.

We believe there will be increased interest in the protection of underwater cultural heritage throughout the oceans of the world. We are uniquely qualified to provide governments and international agencies with resources to help manage these resources while providing the public with educational, scientific, historical and entertainment initiatives that originate from our shipwreck exploration activities.

Competition

Odyssey shipwreck recovery projects are focused on deep-sea sites where competition is limited due to the expertise and specialized equipment needed to operate at such depths. There are a number of companies that publicly identify themselves as engaged in aspects of the shipwreck business, but they do not compete directly with us as an established deep-ocean archaeological shipwreck exploration company. These entities include, but are not limited to Blue Water Ventures, Mel Fisher's Treasures, Deep Blue Marine, Marine Exploration, Inc., Oceanic Research and Recovery, Seafarer Exploration, Deep6 Ltd., Sub Sea Research, Earth Dragon Resources, Endurance Exploration Group and UnderSea Recovery Corporation. Some companies such as Phoenix International Holdings Inc. and Oceaneering International Inc. may provide deep-sea services to groups seeking to pursue deep sea projects. It is possible that one of these companies or some currently unknown group may locate and recover a shipwreck on our project roster; however, due to the breadth of our historical and archival

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research, the already completed sonar and deep-water ROV inspection efforts, and the number of shipwreck projects in various stages of development, we do not believe that competition from one or more of these entities, known or unknown, would materially affect our operating plan or alter our current business strategy.

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

Cost of Environmental Compliance

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

Executive Officers of the Registrant

The names, ages and positions of all the executive officers of the Company as of March 1, 2014 are listed below.

Gregory P. Stemm (age 56) has served as Chief Executive Officer since January 3, 2008 and served as Chairman of the Board from 2008 to 2010. Mr. Stemm previously served as Vice President, Research and Operations and as a member of the Board of Directors since May 1994. He served as Co-Chairman of the Board since February 24, 2006 until his present appointment.

Mark D. Gordon (age 53) has served as President and Chief Operating Officer since October 2007 and was appointed to the Board of Directors in January 2008. Previously Mr. Gordon served as Executive Vice President of Sales and Business Development since January 2007 after joining Odyssey as Director of Business Development in June 2005. Prior to joining Odyssey, Mr. Gordon owned and managed four different ventures (1987-2003).

Philip S. Devine (age 47) joined the Company in September 2013 from which time he has served as the Chief Financial Officer. Prior to joining Odyssey, Mr. Devine served as CFO of several publicly listed companies in Europe. Most recently he was a consultant with DECOFI sprl (2010-2013) and CFO at MDxHealth S.A. (2003-2012).

Jay A. Nudi, CPA (age 50) has served as Principal Accounting Officer since January 2006 and joined Odyssey as Controller in May 2005. Mr. Nudi assumed the additional responsibilities of Treasurer in May 2010. Prior to joining Odyssey, Mr. Nudi served as Controller for The Axis Group in Atlanta (2003-2004).

Laura L. Barton (age 51) was appointed as Executive Vice President and Director of Communications in June 2012 and formerly served at Vice President and Director of Corporate Communications from November 2007 to June 2012. Ms. Barton previously served as Director of Corporate Communications and Marketing for Odyssey since July 2003. Ms. Barton was previously President of LLB Communications, a marketing and communications consulting company whose customers included a variety of television networks, stations and distributors and the Company (1994-2003).

Melinda J. MacConnel (age 49) was appointed as Executive Vice President, General Counsel and Secretary in June 2012 and formerly served as Vice President and General Counsel from 2008 to June 2012. She joined Odyssey in March 2006 as a Legal Consultant and became Odyssey's General Counsel in January 2007. Prior to joining the Company, Ms. MacConnel practiced law as a Litigation Consultant, providing counsel to attorneys in all areas of law.

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Employees

As of December 31, 2013, we had 43 full-time employees, most working from our corporate offices in Tampa, Florida. Additionally, we contract companies to operate our vessels and technicians who perform marine survey and recovery operations on our vessels and from time to time we hire subcontractors and consultants to perform specific services.

Internet Access

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

ITEM 1A. RISK FACTORS

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

Our business involves a high degree of risk.

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

The research and data we use may not be reliable.

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

Operations may be affected by natural hazards.

Underwater exploration and recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Further, such operations may be undertaken more safely during certain months of the year than others. We cannot guarantee that we, or the entities we are affiliated with, will be able to conduct search and recovery operations during favorable periods. In addition, even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions may occur that adversely affect our operations. It is also possible that natural hazards may prevent or significantly delay search and recovery operations.

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

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

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

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

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

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

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

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

Objects we recover could be stolen from us.

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

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

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

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

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

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

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

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

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

We may continue to experience significant losses from operations.

We have experienced a net loss in every fiscal year since our inception except for 2004. Our net losses were \$10.7 million in 2013, \$18.2 million in 2012, and \$16.2 million in 2011. Although we had a net profit of \$10.8 million in the fourth quarter of 2013, it resulted primarily from the proceeds of a single project and there is no guarantee that future projects will generate sufficient returns to make future quarters profitable. Even if we do generate operating income in one or more quarters in the future, subsequent developments in our industry, customer base, business or cost structure or an event such as significant litigation or a significant transaction may cause us to again experience operating losses. We may not become profitable for the long-term, or even for any quarter.

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

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

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

During 2012 and 2011 we recorded approximately \$5 million and \$15 million of revenue, respectively, by chartering vessels, equipment and crew and providing marine services to clients or customers. We recognized no revenue from such sources in 2013. While the results of these syndicated projects were generally successful, the clients or customers may not be willing or financially able to continue with syndicated projects of this type in the future. Failure to secure such revenue producing contracts in the future may have a material impact on our revenue and operating cash flows. We may take payment for these services in the form of cash, shares in the client's company, or financial interest in the tenement areas. There is no guarantee that the non-cash payment for our services will ever be able to be monetized or be used by Odyssey.

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

Some of our outstanding shares may have been acquired from time to time upon conversion of outstanding senior convertible notes at conversion prices that are lower than the market price of our common stock at the time of conversion. Odyssey has agreed to pay each amortization payment due under the notes in shares of Odyssey's common stock, if certain conditions are met; provided, that Odyssey may, at its option, elect to pay such amortization payments in cash. The conversion rate applicable to any amortization payment in shares of Odyssey's common stock will be the lower of (a) the then-current conversion price and (b) a price equal to 85.0% of the average of the volume-weighted average price of Odyssey's shares of common stock for a ten-day period immediately prior to the applicable amortization date. Conversion of the notes at conversion prices that are lower than the market price at the time of conversion and the sale of the shares issued upon conversion could have an adverse effect upon the market price of our common stock.

Investments in subsea mineral exploration companies may prove unsuccessful.

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

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our offices in Tampa, Florida where we purchased a 23,500 square-foot two story office building in 2004 to serve as our corporate and operations headquarters. In May 2008, we purchased a one-story 8,100 square-foot commercial building in proximity to our corporate headquarters which is utilized by our conservation, research and archaeology departments. We believe these facilities are sufficient for our foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

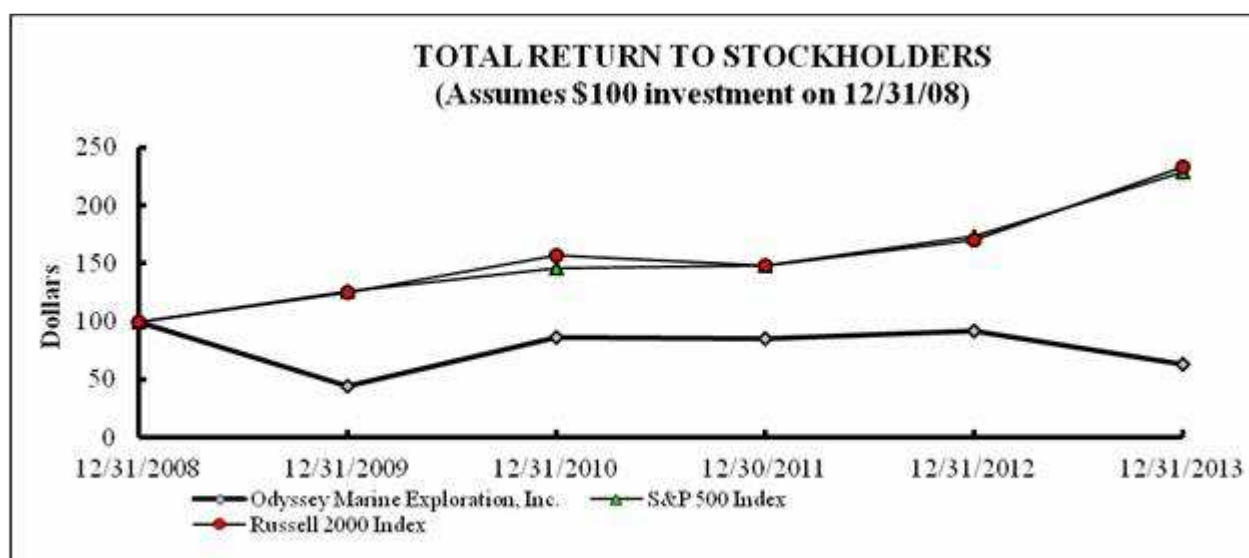
ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Performance Graph

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

Assuming an investment of \$100 on December 31, 2008, and reinvestment of all dividends, if any, the graph below compares the cumulative total stockholder return on the Company’s Common Stock for the last five fiscal years with the cumulative return of the Standard & Poor’s 500 Market Index and the Russell 2000 Market Index.

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



Total Return Analysis	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Odyssey Marine Exploration, Inc.	\$ 100.00	\$ 43.79	\$ 86.34	\$ 85.09	\$ 92.24	\$ 62.73
S&P 500 Index	\$ 100.00	\$ 126.46	\$ 145.50	\$ 148.49	\$ 173.15	\$ 229.24
Russell 2000 Index	\$ 100.00	\$ 125.22	\$ 156.90	\$ 148.35	\$ 170.06	\$ 232.98

Price Range of Common Stock

On November 19, 2003, our common stock was listed on the American Stock Exchange and began trading under the symbol OMR. On July 10, 2007, trading of our common stock moved from the American Stock Exchange to the NASDAQ Capital Market under the symbol OMEX. The following table sets forth the high and low sale prices for our common stock during each quarter presented.

Quarter Ended	Price	
	High	Low
March 31, 2012	\$3.78	\$2.32
June 30, 2012	\$4.43	\$2.86
September 30, 2012	\$3.56	\$1.80
December 31, 2012	\$3.06	\$2.11
Quarter Ended		
March 31, 2013	\$3.61	\$2.78
June 30, 2013	\$3.59	\$2.59
September 30, 2013	\$3.70	\$2.73
December 31, 2013	\$3.18	\$1.72

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Approximate Number of Holders of Common Stock

The approximate number of record holders of our common stock at February 19, 2014 was 246. This does not include shareholders that hold their stock in accounts included in street name with broker/dealers which approximates 14,000 shareholders.

Dividends

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

Unregistered Sales of Equity Securities

In separate transactions on March 7, July 25, and October 18, 2013, the Company issued and sold an aggregate of 157,540 shares of common stock to two of the Company's independent outside directors for aggregate cash consideration of \$495,890. The offer and sale of the shares were exempt from registration under Section 4(2) of the Securities Act as transactions not involving any public offering.

Issuer Purchases of Equity Securities

There were no repurchases of shares of the Company's common stock during the quarter ended December 31, 2013.

ITEM 6. SELECTED FINANCIAL DATA

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

Dollars in thousands except per share amounts	Years Ended December 31,				
	2013	2012	2011	2010	2009
Results of Operations					
Revenue	\$ 23,914	\$ 13,198	\$ 15,727	\$ 21,001	\$ 4,347
Net income (loss)	(10,741)	(18,184)	(16,225)	(23,343)	(18,628)
Earnings (loss) per share – basic	(0.13)	(0.25)	(0.28)	(0.36)	(0.33)
Earnings (loss) per share – diluted	(0.13)	(0.25)	(0.28)	(0.36)	(0.33)
Cash dividends per share	—	—	—	—	—
Financial Position					
Assets	\$ 51,461	\$ 26,897	\$ 23,414	\$ 19,407	\$ 20,256
Long-term obligations	5,662	4,011	5,690	2,776	2,950
Shareholder's equity (deficit)	13,207	(20,759)	(9,775)	(7,548)	7,562

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

The following discussion and analysis is intended to provide a narrative of our financial results and an evaluation of our financial condition and results of operations. The discussion should be read in conjunction with our consolidated financial statements and notes thereto. A description of our business is discussed in Item 1 of this report which contains an overview of our business as well as the status of our ongoing project operations.

Results of Operations

The dollar values discussed in the following tables, except as otherwise indicated, are approximations to the nearest \$100,000 and therefore do not necessarily sum in columns or rows. For more detail refer to the Financial Statements and Supplementary Data in Item 8. The tables identify years 2013, 2012 and 2011, all of which included a twelve-month period ended December 31.

2013 Compared to 2012

(Dollars in millions)	2013	2012	2013 vs. 2012	
			\$	%
Artifact sales and other	\$23.7	\$ 8.0	\$15.6	195%
Exhibit	.1	.2	(.1)	(50)
Expedition charter	.1	4.9	(4.8)	(97)
Total revenue	\$23.9	\$13.2	\$10.7	81%
Cost of sales	.7	.2	.5	195
Operations and research	26.0	17.9	8.1	45
Marketing, general and administrative	14.2	10.6	3.6	34
Total operating expenses	\$40.9	\$28.8	\$12.1	42%
Other income (expense)	\$ 2.6	\$ (2.6)	\$ 5.2	200%

Revenue

Revenue is generated through the sale of recovered cargo such as coins, bullion, artifacts and merchandise, the lease of our themed attraction exhibit and expedition charters.

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

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

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

Cost and Expenses

Cost of sales consists of shipwreck recovery costs, grading, conservation, packaging, and shipping costs associated with artifact and merchandise sales. Cost of sales increased by \$.5 million in 2013 versus 2012, or in the same proportion as the increase in Artifact and other revenues which increased by 195%.

Operations and research expenses primarily include all costs within Archaeology, Conservation, Exhibits, Research, and Marine Operations, which include all vessel and charter operations. Operations and research expenses were \$26.0 million in 2013 as compared to \$17.9 million in 2012. The increase in operating and research expenses of \$8.1 million primarily represented a smaller recoupment of *Gairsoppa* total project search and recovery costs of \$9.2 million in 2013 as

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

Marketing, general and administrative expenses primarily include all costs within the following departments: Executive, Finance & Accounting, Legal, Information Technology, Human Resources, Marketing & Communications, Sales and Business Development. Marketing, general and administrative expenses were \$14.2 million in 2013 as compared to \$10.6 million in 2012. The increase of \$3.6 million primarily represented an increase in our professional fees to pay \$1.1 million to the Spanish government for the *Black Swan* case, an increase in share-based compensation and other personnel costs of \$1.6 million, and \$0.5 million increase in the provision for doubtful accounts.

Other Income or Expense

Other income and expense generally consists of interest income on investments offset by interest expense on our bank term and other mortgage loans and convertible notes. Beginning in the fourth quarter 2009, it also included the income or loss from our equity investment in subsea mineral mining companies which have since been written down to zero. It also includes the change in fair value of the derivatives related to our issuance of Series G convertible preferred stock and senior convertible notes. In 2013, Odyssey had a net other income result of \$2.6 million. This was comprised of a positive amount of \$4.4 million from the change in the fair value of derivative liabilities (\$1.4 million related to the change in the stock price volatility, \$1.6 million related to the redemption of certain outstanding instruments, \$0.5 million related to the change in the volatility of certain instruments, and \$0.9 million of other changes), a gain of \$1.2 million on hedging instruments linked to silver prices in 2013, and \$0.6 million in other miscellaneous income, offset by an interest expense of \$3.5 million. Interest expense decreased by \$2.7 million from 2012 to 2013 primarily as a result of a reduction in the higher interest debt obligations, such as the convertible notes. The net other expense balance for 2012 of \$1.7 million was related to an unfavorable impact on the fair value of the derivative financial instruments (\$1.3 million, see NOTE R), a favorable impact of \$4.7 million on the loss on equity investment since the investment had been written down to zero in 2011 and an unfavorable interest expense variance of \$5.1 million which primarily related to the interest accretion on the senior convertible note payable (\$3.5 million), interest on the convertible note (\$1.0 million), derivative-related interest (\$.2 million), amortization of financing costs (\$.2 million) and other interest (\$.2 million). Of the total 2012 interest expense of \$6.3 million, only \$1.7 million represented cash payments for interest and financing costs.

Income Taxes

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

Liquidity and Capital Resources

(Dollars in thousands)	2013	2012
Summary of Cash Flows:		
Net cash (used) by operating activities	\$(20,067)	\$(6,689)
Net cash (used) by investing activities	(4,505)	(946)
Net cash provided by financing activities	35,797	9,760
Net increase in cash and cash equivalents	\$ 21,226	\$ 2,125
Beginning cash and cash equivalents	10,096	7,972
Ending cash and cash equivalents	<u>\$ 21,322</u>	<u>\$10,096</u>

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Discussion of Cash Flows

Net cash used in operating activities in 2013 was \$20.1 million. This amount primarily reflected an operating loss of \$14.9 million and a \$4.4 million adjustment to this loss for the non-cash change in the fair value of derivative liabilities offset in part by non-cash items including interest accretion on notes payable (\$2.0 million), depreciation and amortization (\$1.9 million), share-based compensation (\$2.5 million), and debt interest settled with common stock (\$.7 million). Other working capital related changes included an increase in accounts payable of \$1.5 million, a decrease in accrued expenses of \$8.7 million primarily relating to the Galt Resources payable of \$12.5 million at year end 2012, a decrease in accounts receivable of \$1.8 million, and an increase in other assets of \$ 2.0 million. Other assets increased primarily as a result of prepayments and deposits on equipment ordered for the ships at the end of 2013.

Net cash flow used in operating activities in 2012 was \$6.7 million. This amount primarily reflected an operating loss of \$18.2 million offset in part by non-cash items including interest accretion on notes payable (\$4.1 million), depreciation and amortization (\$1.6 million), share-based compensation (\$1.5 million), favorable change in fair value of derivatives liabilities primarily due to redemption of Series G preferred stock (\$3.6 million), and financing charge amortization and debt interest settled with common stock on notes payable (\$.8 million). Other working capital related changes included an increase in accounts payable and accrued expenses of \$13.0 million primarily relating to the Galt Resources payable of \$12.5 million at year end, an increase in accounts receivable of \$1.6 million of which \$1.4 million relates to *Gairsoppa* silver proceeds received in February 2013, and a decrease in deferred revenue of \$4.5 million primarily representing recognition of deferred income from revenue participation rights on the Galt Resources, LLC investment of \$3.8 million. The outstanding deferred revenue balance of \$2.8 million represents work to be completed on the “*Stanton A*” and “*Enigma*” projects. The decrease from \$3.5 million represents work completed during the fourth quarter 2012.

Net cash used in 2013 for investing activities amounted to \$4.5 million. This cash was used for the purchase of equipment, primarily for ship-based operations, including \$.7 million on a 6,000 meter ROV, \$3.1 million for equipment and improvements on the mineral exploration ship (such as a new winch and a deep-sea drill), and most of the remainder on improvements and equipment on the *Odyssey Explorer* ship. Cash flow used in investing activities for 2012 of \$.9 million primarily represented marine property and equipment purchases.

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

Cash flow provided by financing activities for 2012 was \$9.8 million. In addition to the \$.9 million received from the issuance of common stock, we received \$20.0 million from loans including \$8.0 million additional proceeds from the second tranche of the Senior Convertible Note, \$2.0 million proceeds from the additional term loan with Fifth Third Bank in March 2012 and \$10.0 million from the *Gairsoppa* project financing from Fifth Third Bank in July 2012. We repaid the \$10.0 million *Gairsoppa* project financing in October 2012 as well as \$.7 million of debt obligations including mortgage and loans payable of \$.2 million and \$.5 million of marine equipment financing. We also incurred \$.4 million of brokerage commissions on the second tranche of the Senior Convertible Note.

General Discussion 2013

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

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

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

In January 2013, we entered into a letter agreement with the Senior Convertible Note investor agreeing to defer until March 1, 2013, the installment payments that would have been otherwise due on January 1, 2013 and February 1, 2013. The investor had previously agreed to defer the December installment payments therefore making the total amount of payments deferred approximately \$2.4 million. Also, the Additional Note conversion price was amended from \$3.74 to \$3.17. The remaining principal balance at December 31, 2013 for the Additional Note was \$4.1 million.

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

Bank Loans

In 2013, we amended our \$5 million term loan with Fifth Third Bank (the "Bank") so that the maturity date was extended from July 11, 2013 to July 11, 2016. Beginning in January 2014, we are required to make semi-annual principal payments of \$500,000. The facility bears floating interest at the one-month LIBOR rate according to the Wall Street Journal plus 500 basis points. Any prepayments made in full or in part are without premium or penalty. No restricted cash payments will need to be kept on deposit. The term loan is still secured by approximately 25,000 numismatic coins recovered by the Company from the *SS Republic* shipwreck, which amount will be reduced over the term by the amount of coins sold by the Company. The coins used as collateral are held by a custodian for the security of the Bank. The borrowing base is equal to forty percent (40%) of the eligible coin inventory valued on a rolling twelve month wholesale average value. The Company is required to comply with a number of customary covenants.

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

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

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Trends and Uncertainties

Our 2014 business plan requires us to generate new cash inflows during 2014 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of shipwreck cargo or our equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned shipwreck or mining project monetizations, financings, syndications or partnership opportunities may not be realized which may require us to curtail our desired business plan until we generate additional cash. We currently have no commitments for new debt or issuance of new equity and we can offer no assurance any of our planned projects will be successful in providing additional cash during 2014. We have experienced several years of net losses. Our capacity to generate net income in future periods is dependent upon our success in recovering and monetizing shipwrecks, monetizing our interests in mineral exploration entities, generating income from shipwreck or mineral exploration charters or generating income from other projects. In 2014, we will seek to monetize some of our stake in our mineral exploration shareholdings, recover and monetize cargo from the SS *Central America*, and generate cash inflows from other projects and opportunities. If cash inflow is not sufficient to meet our desired projected business plan requirements, we will be required to follow our contingency business plan which is based on curtailed expenses and requires less new cash inflows. While we have been successful in generating cash inflows and raising the necessary funds in the past, there can be no assurance that we can continue to do so in 2014.

2012 Compared to 2011

(Dollars in millions)	2012	2011	2012 vs. 2011	
			\$	%
Artifact sales and other	\$ 8.0	\$.9	\$ 7.2	841%
Exhibit	.2	.2	—	9
Expedition charter	4.9	14.7	(9.7)	(66)
Total revenue	\$13.2	\$15.7	\$(2.5)	(16)%
Cost of sales	.2	.4	(.2)	(43)
Operations and research	17.9	21.3	(3.3)	(16)
Marketing, general and administrative	10.6	9.4	1.2	13
Total operating expenses	\$28.8	\$31.1	\$(2.3)	(7)%
Other income (expense)	\$(2.6)	\$(.9)	\$(1.7)	(203)%

Revenue

Revenue is generated through the sale of coins, artifacts and merchandise, the lease of our themed attraction exhibit and expedition charters.

The increase in artifact and other sales of \$7.2 million in 2012 was primarily due to an increase in other revenue of \$7.6 million associated with revenue from the *Gairsoppa* project (\$7.0 million of which was in the fourth quarter) offset by a reduction in artifact sales of \$.4 million. Of the revenue recognized from the *Gairsoppa* project, \$3.7 million was related to silver sales and \$3.9 million was credited to revenue from deferred income that represented revenue participation rights earned from the Galt Resources investment.

The decrease in expedition charter revenue in 2012 of \$9.7 million was associated with our subsea mineral mining charters primarily related to Neptune Minerals and other miscellaneous charters (\$11.7 million), a reduction of Robert Fraser shipwreck projects (\$2.0 million) offset in part by work performed in 2012 on Chatham Rock Phosphates (\$4.0 million). The expedition charter revenue of \$4.9 million in 2012 was primarily associated with a subsea mineral mining charter with Chatham Rock Phosphates off the coast of New Zealand (\$4.0 million) and \$.7 million of additional work on two Robert Fraser shipwreck projects in the fourth quarter (“*Stanton A*” and “*Enigma*”). The expedition charter revenue in 2011 of \$14.7 million related primarily to subsea mineral mining charters with Neptune Minerals (\$14.2 million) as well as a miscellaneous charter for the Odyssey Explorer (\$.5 million). Also, our operational efforts in 2012 were more focused on our shipwreck recovery projects (i.e., *Gairsoppa*, *Mantola* and *HMS Victory*).

Cost and Expenses

Cost of sales decreased by \$.2 million in 2012 versus 2011 due to fewer silver coins sold in 2012 versus 2011.

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Operations and research expenses were \$17.9 million in 2012 as compared to \$21.3 million in 2011. The decrease in operating and research expenses of \$3.3 million primarily represented a recoupment of *Gairsoppa* total project search and recovery costs of \$17.8 million (\$.1 million of which was included in Marketing, general and administrative expenses) which have been recovered based upon silver proceeds from the project in 2012. Other favorable variances of \$3.8 million include the Ocean Alert which was sold in 2011 and not utilized in 2012 (\$1.9 million) and the charter vessel RV *Yuzhmorgeologiya* which was utilized in 2011 only (\$1.9 million). Unfavorable expenses included the Dorado Discovery which incurred an additional \$2.6 million of expenses in 2012 versus 2011 primarily related to 27-day transit from Oceania to the West Coast of North America to work on deep-water exploration (\$.7 million), additional fuel costs incurred in 2012 which were paid by the charterer in 2011 (\$1.1 million) and specialized marine equipment rental (\$.8 million). Other offsetting expenses in 2012 included \$14.1 million for our chartered vessel which performed survey and recovery operations on both the *Gairsoppa* and *Mantola* projects, and \$.9 million for the Odyssey Explorer which also performed survey and reconnaissance work on the projects. In addition, we incurred \$.6 million in 2012 on miscellaneous charter and other expenses.

Marketing, general and administrative expenses were \$10.6 million in 2012 as compared to \$9.4 million in 2011. The increase of \$1.2 million primarily represented an increase in our professional fees and other services (\$.9 million) and an increase in employee-related expenses (\$.3 million).

Other Income or Expense

Beginning in the fourth quarter 2009, it also included the income or loss from our equity investment in subsea mineral mining which has since been written down to zero. It also includes the change in fair value of the derivatives related to our issuance of Series G convertible preferred stock and senior convertible notes. The unfavorable other income variance of \$1.7 million in 2012 was related to an unfavorable impact on the fair value of the derivative financial instruments (\$1.3 million, see NOTE K), a favorable impact of \$4.7 million on the loss on equity investment since the investment had been written down to zero in 2011 and an unfavorable interest expense variance of \$5.1 million which primarily related to the interest accretion on the senior convertible note payable (\$3.5 million), interest on the convertible note (\$1.0 million), derivative-related interest (\$.2 million), amortization of financing costs (\$.2 million) and other interest (\$.2 million). Of the total 2012 interest expense of \$6.3 million, only \$1.7 million represented cash payments for interest and financing costs.

Income Taxes

We did not record any provision (benefit) for income taxes in 2012 or 2011. Due to the uncertainty surrounding the realization of deferred tax assets resulting from operating loss carryforwards, we recorded a full valuation allowance of \$57.9 million against the deferred tax assets as of December 31, 2012, compared to \$52.5 million as of December 31, 2011. As required by the Accounting for Income Taxes topic in the Accounting Standards Codification ("ASC"), we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery of high-value shipwrecks and thus a valuation allowance has been recorded as of December 31, 2012. We will continue to reassess the need for a valuation allowance during each future reporting period.

Liquidity and Capital Resources

(Dollars in thousands)	2012	2011
Summary of Cash Flows:		
Net cash (used) by operating activities	\$ (6,689)	\$ (15,190)
Net cash (used) by investing activities	(946)	(489)
Net cash provided by financing activities	9,760	23,415
Net increase in cash and cash equivalents	\$ 2,125	\$ 7,736
Beginning cash and cash equivalents	7,972	236
Ending cash and cash equivalents	<u>\$10,096</u>	<u>\$ 7,972</u>

Discussion of Cash Flows

Net cash flow used in operating activities in 2012 was \$6.7 million. This amount primarily reflected an operating loss of \$18.2 million offset in part by non-cash items including interest accretion on notes payable (\$4.0 million), depreciation and amortization (\$1.6 million), share-based compensation (\$1.5 million), favorable change in fair value of

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derivatives liabilities primarily due to redemption of Series G preferred stock (\$3.5 million), and financing charge amortization and debt interest settled with common stock on notes payable (\$.8 million). Other working capital related changes included an increase in accounts payable and accrued expenses of \$13.0 million primarily relating to the Galt Resources payable of \$12.5 million at year end, an increase in accounts receivable of \$1.6 million of which \$1.4 million relates to *Gairsoppa* silver proceeds received in February 2013, and an increase in deferred revenue of \$4.5 million primarily representing recognition of deferred income from revenue participation rights on the Galt Resources, LLC investment of \$3.8 million. The outstanding deferred revenue balance of \$2.8 million represents work to be completed on the “*Stanton A*” and “*Enigma*” projects. The decrease from \$3.5 million represents work completed during the fourth quarter 2012.

Cash flow used in operating activities in 2011 was \$15.2 million. This amount primarily reflected an operating loss of \$16.2 million offset in part by non-cash items including depreciation and amortization (\$1.9 million), share-based compensation (\$1.6 million), change in fair value of derivatives liabilities primarily due to redemption of Series G preferred stock (\$5.0 million), write down of the vessel *Ocean Alert* of \$.6 million based upon sale in 2011, and interest accretion and financing charge amortization on notes payable (\$.7 million). Other working capital changes included a decrease in accounts payable and accrued expenses of \$1.7 million, and an increase in deferred revenue of \$2.8 million (representing cash receipts of \$8.5 million offset by revenue recognized of \$5.7 million on the “*Firebrand*,” “*Enigma*,” “*Shantaram*,” “*Stanton A*” and “*Neptune*” projects). The outstanding deferred revenue balance of \$3.5 million represents work to be completed on the “*Stanton A*” and “*Enigma*” projects.

Cash flow used in investing activities for 2012 of \$.9 million primarily represented marine property and equipment purchases. Cash flow used in investing activities for 2011 was \$.5 million which primarily represented the purchase of marine property and equipment of \$1.0 million offset by the proceeds for the sale of the *Ocean Alert* of \$.5 million.

Cash flow provided by financing activities for 2012 was \$9.8 million. In addition to the \$.9 million received from the issuance of common stock, we received \$20.0 million from loans including \$8.0 million additional proceeds from the second tranche of the Senior Convertible Note, \$2.0 million proceeds from the additional term loan with Fifth Third Bank in March 2012 and \$10.0 million from the *Gairsoppa* project financing from Fifth Third Bank in July 2012. We repaid the \$10.0 million *Gairsoppa* project financing in October 2012 as well as \$.7 million of debt obligations including mortgage and loans payable of \$.2 million and \$.5 million of marine equipment financing. We also incurred \$.4 million of brokerage commissions on the second tranche of the Senior Convertible Note.

Cash flow provided by financing activities for 2011 was \$23.4 million which primarily represented proceeds from the issuance of common stock (\$15.6 million), an increase in deferred income from revenue participation rights on the Galt project of \$7.5 million, proceeds from the sale of convertible notes of \$10.0 million, offset by payments of \$1.0 million for dividends on the Series G convertible preferred stock and broker commissions on capital raises, \$5.8 million on redemptions of Series G convertible preferred stock, and \$2.9 million repayment of mortgage and notes payable. The deferred income increase represented the proceeds from the Galt project which was amortized into revenue when the designated project was recovered and monetized.

General Discussion 2012

At December 31, 2012, we had cash and cash equivalents of \$10.1 million, an increase of \$2.1 million from the December 31, 2011 balance of \$8.0 million.

In April 2012, we delivered an additional closing notice under the securities purchase agreement that was executed in November 2011, when we issued and sold the investor a senior convertible note in the original principal amount of \$10.0 million and warrants in amounts as stated above. In connection with the delivery of the additional closing notice, the original agreement was amended to increase the additional second tranche of the note to \$8.0 million. The additional note bears interest at 9.0% per year and will mature on the 30-month anniversary of the initial closing date. The additional note will be amortized in equal monthly installments commencing on the eighth-month anniversary of the initial note and may be paid in cash or Odyssey common stock. The additional note may be converted into Odyssey’s common stock, at the option of the holder, at any time following six months after the date of issuance. Odyssey has a right to redeem the additional note. The conversion price of the additional note is \$3.74. The number of shares of Odyssey’s common stock issuable upon exercise of the warrant increased to 1,562,500.

During December 2011, we chartered the *Dorado Discovery* vessel to Chatham Rock Phosphate, Ltd. (“Chatham”) for \$1.2 million in relation to deep-ocean surveying. The charter permitted Chatham to pay for services in either cash or common shares of their company. At December 31, 2011, Chatham anticipated a financing to pay for the charter. We did not record

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the revenue from this charter because of their liquidity and capital positions at that time. Chatham completed a portion of their financing in the first quarter of 2012 and remitted the \$1.2 million payment. In addition, during March 2012, Chatham remitted \$1.8 million for charter services performed in the first quarter 2012. An amount due of an additional \$1 million was paid in May 2012 for services rendered in January 2012. In June, Chatham executed the option to pay the remaining charter balance of \$1.7 million in stock and Odyssey received 9.3 million shares, or 12.2% of Chatham.

Cash proceeds of over \$41 million have been received from *Gairsoppa* silver sales (\$1.8 million received in early first quarter 2013). We have paid the United Kingdom (UKG) approximately \$4.7 million (\$4.3 million paid in 2012) and approximately \$15 million to Galt Resources, LLC (\$2.5 million paid in 2012). The favorable income statement impact was \$25.4 million from the *Gairsoppa* project in 2012 (\$7 million in the fourth quarter 2012).

Bank Term Loan

On March 30, 2012, we amended our Bank \$3.0 million term loan maturing on April 23, 2012. The term loan was increased to \$5.0 million with an expiration date of July 11, 2013. The facility bore floating interest at the one-month LIBOR rate according to the Wall Street Journal plus 500 basis points. Any prepayments made in full or in part were without premium or penalty. A commitment renewal fee of \$250,000 was paid at closing. No restricted cash payments were needed to be kept on deposit. The term loan is secured by approximately 26,500 numismatic coins recovered by the Company from the SS *Republic* shipwreck, which amount will be reduced over the term by the amount of coins sold by the Company. The coins used as collateral are held by a custodian for the security of the Bank. The borrowing base is equal to forty percent (40%) of the eligible coin inventory valued on a rolling twelve month wholesale average value. The Company is required to comply with a number of customary covenants. This note was renewed in July 2013 with a maturity date of July 2015.

On July 9, 2012, we entered into a project term loan agreement with Fifth Third Bank that provided a credit facility of up to \$10.0 million. The term loan bore interest at a floating rate equal to the one month LIBOR rate plus 500 basis points. An origination fee of \$50,000 was paid at closing. A restricted cash deposit of \$500,000 was required to cover interest payments when the term loan is advanced. The term loan was secured by approximately \$15.0 million worth of silver recovered from the SS *Gairsoppa*. The proceeds of the credit facility were used to fund the project recovery costs. The company took a \$10 million draw against the facility on July 17, 2012. We paid the project term loan in October 2012 with proceeds from the *Gairsoppa* project.

Off Balance Sheet Arrangements

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

Indemnification Provisions

Under our bylaws and certain consulting agreements, we have agreed to indemnify our officers and directors for certain events arising as a result of the officer's or director's serving in such capacity. Separate agreements may provide indemnification after term of service. The term of the indemnification agreement is as long as the officer or director remains in the employment of the company. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, our director and officer liability insurance policy limits its exposure and enables us to recover a portion of any future amounts paid. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal and no liabilities are recorded for these agreements as of December 31, 2013.

Critical Accounting Estimates

The discussion and analysis of our financial position and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect our financial position and results of operations. See NOTE A to the Consolidated Financial Statements for a description of our significant accounting policies. Critical accounting estimates are defined as those that are reflective of significant judgment and uncertainties, and potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting estimates. We have discussed the development, selection and disclosure of these policies with our audit committee.

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Long-Lived Assets

As of December 31, 2013, we had approximately \$9.8 million of property and equipment and related assets. Our policy is to recognize impairment losses relating to long-lived assets in accordance with the ASC topic for Property, Plant and Equipment. Impairment decisions are based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows.

Realizability of Deferred Tax Assets

We have recorded a net deferred tax asset of \$0 at December 31, 2013. As required by the Accounting for Income Taxes topic in the ASC, we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery and rights of ownership or salvage rights of high value shipwrecks or the monetization of our mineral exploration stakes and thus a valuation allowance of \$51.6 million has been recorded as of December 31, 2013.

Artifact Inventory

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

Allowance for Doubtful Accounts

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

Derivative Financial Instruments

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

Contractual Obligations

At December 31, 2013, the Company's contractual obligations including estimated payments due by period are as follows:

(Dollars in thousands)	Payments due by period				
		Less than			More than
Contractual Obligations	Total	1 year	1-3 years	3-5 years	5 years
Long-term obligations	\$12,295	\$ 6,633	\$ 5,662	\$ —	\$ —
Interest on long-term obligations	744	744	—	—	—
Operating lease	699	366	333	—	—
Total contractual obligations	<u>\$13,738</u>	<u>\$ 7,743</u>	<u>\$ 5,995</u>	<u>\$ —</u>	<u>\$ —</u>

Long-term obligations represent the amount due on our existing mortgages and convertible note as described above. The operating lease represents our vessel charter. The vessel charter is set to expire on April 30, 2014. We are considering extending this vessel charter but have not done so at this time. The current charter allows for extensions. If this vessel charter is extended, the daily rate would be approximately \$14,000.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. We entered into certain hedging arrangements in 2013 to cover the some of the risk in silver price changes between the date we recovered the silver from the *Gairsoppa* and the date it was monetized. These arrangements expired in 2013 before December 31, 2013. After the sale of the *Gairsoppa* silver in 2013, we do not believe we have material market risk exposure and have not entered into any market risk sensitive instruments to mitigate these risks or for trading or speculative purposes.

Our term loan and project loan bear a variable interest rate based on LIBOR and our primary mortgage bears interest at a variable rate based on the prime rate. See NOTE L for further detail on these instruments. These instruments expose us to interest rate risk. On our primary mortgage, for an increase of every 100 basis points, our interest obligation increases, at most, by approximately \$1,000 per month until maturity in July 2016. On our term loan, an increase of every 100 basis points to the interest rate increases our interest obligation, at most, by approximately \$4,000 per month until maturity in July 2016. An increase of every 100 basis points to the interest rate for our project loan increases our interest obligation by approximately \$8,400 per month until maturity in July 2014. If an increase to the rates on these instruments occurs, it will have an adverse effect on our operating cash flows and financial condition but we believe it would not be material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears beginning on page 29.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information we are required to disclose in reports that we file with or furnish to the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that we are able to collect process and disclose the information we are required to disclose in the reports we file with the SEC within required time periods.

Internal Controls over Financial Reporting

Management's report on our internal controls over financial reporting can be found in the financial statement section of this report. The Independent Registered Public Accounting Firm's attestation report on management's assessment of the effectiveness of our internal control over financial reporting can also be found in the financial statement section of this report.

There have been no significant changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning Directors and Executive Officers is hereby incorporated by reference to the information under the headings "Election of Directors" and "Executive Officers and Directors of the Company" in the Company's Proxy Statement (the "Proxy Statement") for the Annual Meeting of Stockholder to be held on June 4, 2014.

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The Company has adopted a Code of Ethics that applies to all of its employees, including the principal executive officer, the principal financial officer and the principal accounting officer. The Code of Ethics and all committee charters are posted on the Company's website (www.shipwreck.net). We will provide a copy of any of these documents to stockholders free of charge upon request to the Company.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference to the information under the heading "Executive Compensation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

A portion of the information required by this Item pursuant to Item 403 of Regulation S-K is hereby incorporated by reference to the information under the heading "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. The information required pursuant to Item 201(d) of Regulation S-K is hereby incorporated by reference to the information under the heading "Equity Compensation Plan Information" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated by reference to the information under the heading "Certain Relationships and Related Transactions" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is hereby incorporated by reference to the information under the heading "Independent Public Accounting Firm's Fees" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

1. (a) Consolidated Financial Statements
See "Index to Consolidated Financial Statements" on page 29.
- (b) Consolidated Financial Statement Schedules
See "Index to Consolidated Financial Statements" on page 29.

All other schedules have been omitted because the required information is not significant or is included in the financial statements or notes thereto, or is not applicable.

2. Exhibits

The Exhibits listed in the Exhibits Index, which appears immediately following the signature page and is incorporated herein by reference, are filed as part of this Annual Report on Form 10-K.

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ODYSSEY MARINE EXPLORATION, INC.**

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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2013.

The Company's independent auditor, Ferlita, Walsh, Gonzalez & Rodriguez, P.A., a registered public accounting firm, has issued an attestation report on management's assessment of internal control over financial reporting, which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Odyssey Marine Exploration, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of Odyssey Marine Exploration, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended December 31, 2013, 2012, and 2011. Odyssey Marine Exploration, Inc. and subsidiaries' management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Odyssey Marine Exploration, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, 2012, and 2011, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Odyssey Marine Exploration, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2014 expressed an unqualified opinion.

/s/ Ferlita, Walsh, Gonzalez & Rodriguez, P.A.
FERLITA, WALSH, GONZALEZ & RODRIGUEZ. P.A.
Certified Public Accountants
Tampa, Florida

March 7, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Odyssey Marine Exploration, Inc. and subsidiaries

We have audited Odyssey Marine Exploration, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Odyssey Marine Exploration, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Odyssey Marine Exploration, Inc. and subsidiaries' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting 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 company; (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 company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

In our opinion, Odyssey Marine Exploration, Inc and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of income, changes in stockholders' equity (deficit) and cash flows of Odyssey Marine Exploration, Inc. and subsidiaries, and our report dated March 7, 2014 expressed an unqualified opinion.

/s/ Ferlita, Walsh, Gonzalez & Rodriguez, P.A.
FERLITA, WALSH, GONZALEZ & RODRIGUEZ, P.A.
Certified Public Accountants
Tampa, Florida

March 7, 2014

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,322,257	\$ 10,096,414
Restricted cash	10,685,732	276,906
Accounts receivable, net	207,005	2,101,941
Inventory	314,738	418,926
Other current assets	1,080,364	874,115
Total current assets	<u>33,610,096</u>	<u>13,768,302</u>
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	21,995,031	16,781,671
Building and land	4,756,306	4,708,091
Accumulated depreciation	(16,973,085)	(15,038,811)
Total property and equipment	<u>9,778,252</u>	<u>6,450,951</u>
NON-CURRENT ASSETS		
Inventory	5,206,318	5,574,841
Other non-current assets	2,865,941	1,102,730
Total non-current assets	<u>8,072,259</u>	<u>6,677,571</u>
Total assets	<u>\$ 51,460,607</u>	<u>\$ 26,896,824</u>
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 3,472,612	\$ 1,948,555
Accrued expenses and other	5,294,420	14,050,840
Deferred revenue	1,840,404	2,835,522
Derivative liabilities	970,823	5,356,203
Mortgage and loans payable	16,369,582	14,809,737
Total current liabilities	<u>27,947,841</u>	<u>39,000,857</u>
LONG-TERM LIABILITIES		
Mortgage and loans payable	5,662,226	4,010,946
Deferred income from revenue participation rights	4,643,750	4,643,750
Total long-term liabilities	<u>10,305,976</u>	<u>8,654,696</u>
Total liabilities	<u>38,253,817</u>	<u>47,655,553</u>
Commitments and contingencies (NOTE U)		
STOCKHOLDERS' EQUITY/(DEFICIT)		
Preferred stock—\$.0001 par value; 9,675,200 and 9,361,177 shares authorized, respectively; none outstanding	—	—
Preferred stock series D convertible—\$.0001 par value; 134,800 and 448,800 shares authorized, respectively; 32,400 and 206,400 issued and outstanding, respectively	3	21
Common stock – \$.0001 par value; 150,000,000 shares authorized; 83,882,577 and 75,416,203 issued and outstanding	8,388	7,542
Additional paid-in capital	193,272,576	144,446,574
Accumulated deficit	(175,954,138)	(165,212,866)
Total stockholders' equity/(deficit) before non-controlling interest	<u>17,326,829</u>	<u>(20,758,729)</u>
Non-controlling interest	(4,120,039)	—
Total stockholders' equity/(deficit)	<u>13,206,790</u>	<u>(20,758,729)</u>
Total liabilities and stockholders' equity/(deficit)	<u>\$ 51,460,607</u>	<u>\$ 26,896,824</u>

The accompanying notes are an integral part of these financial statements.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	12 Month Period Ended December 31, 2013	12 Month Period Ended December 31, 2012	12 Month Period Ended December 31, 2011
REVENUE			
Artifact sales and other	\$ 23,670,264	\$ 8,036,658	\$ 853,627
Exhibit	112,129	225,000	207,289
Expedition	131,556	4,935,857	14,666,316
Total revenue	<u>23,913,949</u>	<u>13,197,515</u>	<u>15,727,232</u>
OPERATING EXPENSES			
Cost of sales – artifacts and other	694,787	235,537	414,993
Operations and research	26,024,548	17,941,573	21,288,476
Marketing, general and administrative	14,161,465	10,606,281	9,392,465
Total operating expenses	<u>40,880,800</u>	<u>28,783,391</u>	<u>31,095,934</u>
LOSS FROM OPERATIONS	(16,966,851)	(15,585,876)	(15,368,702)
OTHER INCOME OR (EXPENSE)			
Interest income	9,966	24,420	3,875
Interest expense	(3,581,642)	(6,263,589)	(1,155,072)
Change in derivative liabilities fair value	4,385,380	3,631,930	4,980,138
Gain on silver fixed price swap	1,206,350	—	—
(Loss) from unconsolidated entity	—	—	(4,733,100)
Other	581,543	9,002	47,553
Total other income or (expense)	<u>2,601,597</u>	<u>(2,598,237)</u>	<u>(856,606)</u>
LOSS BEFORE INCOME TAXES	(14,365,254)	(18,184,113)	(16,225,308)
Income tax (provision)	(496,055)	—	—
NET (LOSS) BEFORE NON-CONTROLLING INTEREST	(14,861,309)	(18,184,113)	(16,225,308)
Non-controlling interest	4,120,037	—	—
NET (LOSS)	<u><u>\$(10,741,272)</u></u>	<u><u>\$(18,184,113)</u></u>	<u><u>\$(16,225,308)</u></u>
LOSS PER SHARE			
Basic and diluted	\$ (.13)	\$ (.25)	\$ (.28)
Weighted average number of common shares outstanding			
Basic and diluted	80,128,827	73,889,112	70,179,935

The accompanying notes are an integral part of these financial statements.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY / (DEFICIT)

	12 Month Period Ended December 31, 2013	12 Month Period Ended December 31, 2012	12 Month Period Ended December 31, 2011
Preferred Stock, Series D – Shares			
At beginning of year	206,400	206,400	206,400
Preferred stock converted to common	(174,000)	—	—
At end of year	<u>32,400</u>	<u>206,400</u>	<u>206,400</u>
Common Stock – Shares			
At beginning of year	75,416,203	73,095,384	67,082,835
Preferred stock converted to common	174,000	—	—
Common stock issued for cash	4,392,540	511,650	5,622,000
Common stock issued for settlement of senior convertible notes	3,552,357	1,441,013	—
Common stock issued for services	347,477	368,156	390,549
At end of year	<u>83,882,577</u>	<u>75,416,203</u>	<u>73,095,384</u>
Preferred Stock, Series D			
At beginning of year	\$ 21	\$ 21	\$ 21
Preferred stock converted to common	(18)	—	—
At end of year	<u>\$ 3</u>	<u>\$ 21</u>	<u>\$ 21</u>
Common Stock			
At beginning of year	\$ 7,542	\$ 7,309	\$ 6,708
Preferred stock converted to common	18	—	—
Common stock issued for cash	438	52	562
Common stock issued for settlement of senior convertible notes	355	144	—
Common stock issued for services	35	37	39
At end of year	<u>\$ 8,388</u>	<u>\$ 7,542</u>	<u>\$ 7,309</u>
Paid-in Capital			
At beginning of year	\$ 144,446,574	\$ 137,236,462	\$ 122,722,840
Accretion of Series G Preferred stock	—	—	(1,987,977)
Fair value of warrants issued to Series G Preferred stock shareholders	—	—	(906,150)
Common stock issued for settlement of senior convertible notes	9,279,887	4,262,383	—
Common stock issued for services	—	347,516	—
Common stock issued for cash	10,360,896	1,110,419	15,626,634
Share-based compensation	2,617,278	1,489,794	1,781,115
Sale of subsidiary stock	27,500,000	—	—
Purchase of subsidiary stock	(1,250,000)	—	—
Settlement of vendor payable with subsidiary stock	625,000	—	—
Retained earnings of subsidiary acquisition	(307,059)	—	—
At end of year	<u>\$ 193,272,576</u>	<u>\$ 144,446,574</u>	<u>\$ 137,236,462</u>
Accumulated Deficit			
At beginning of year	\$(165,212,866)	\$(147,018,753)	\$(130,277,889)
Net loss	(10,741,272)	(18,184,113)	(16,225,308)
Dividends	—	(10,000)	(515,556)
At end of year	<u>\$(175,954,138)</u>	<u>\$(165,212,866)</u>	<u>\$(147,018,753)</u>
Non-controlling Interest			
At beginning of year	\$ —	\$ —	\$ —
Net (loss)	(4,120,037)	—	—
At end of year	<u>(4,120,037)</u>	<u>—</u>	<u>—</u>
Total stockholders' equity/(deficit)	<u>\$ 13,206,790</u>	<u>\$ (20,758,729)</u>	<u>\$ (9,774,961)</u>

The accompanying notes are an integral part of these financial statements.

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 Month Period Ended December 31, 2013	12 Month Period Ended December 31, 2012	12 Month Period Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss before non-controlling interest	\$(14,861,309)	\$(18,184,113)	\$(16,225,308)
Adjustments to reconcile net loss to net cash (used) in operating activities:			
Loan fee amortization	185,113	425,561	272,998
Note payable interest accretion	1,961,069	4,120,221	405,465
Senior convertible debit interest settled with common stock issuance	671,548	349,483	—
Share-based compensation	2,451,565	1,489,807	1,551,589
Depreciation and amortization	1,937,641	1,589,133	1,892,969
Write down of long-lived asset	—	—	593,966
Investment in consolidated entity	(301,093)	—	—
Deferred revenue settled with zero basis stock of unconsolidated entity	(440,054)	—	—
Change in derivatives liabilities fair value	(4,385,380)	(3,631,930)	(4,980,138)
Loss in unconsolidated entity	—	—	4,733,100
Investment in unconsolidated entity	—	—	(4,733,100)
Settlement of vendor payable with subsidiary stock	625,000	—	—
(Increase) decrease in:			
Accounts receivable	1,792,266	(1,601,315)	(403,856)
Restricted cash	(408,826)	187,673	282,629
Inventory	472,715	65,192	371,353
Other assets	(2,042,713)	(119,358)	(93,110)
Increase (decrease) in:			
Accounts payable	1,515,694	832,653	(1,132,454)
Accrued expenses and other	(8,684,797)	12,254,102	(541,356)
Deferred revenue	(555,064)	(4,465,868)	2,815,042
NET CASH (USED) IN OPERATING ACTIVITIES	(20,066,625)	(6,688,759)	(15,190,211)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(4,504,779)	(946,190)	(973,764)
Proceeds from disposal of long-lived asset	—	—	485,000
NET CASH (USED) IN INVESTING ACTIVITIES	(4,504,779)	(946,190)	(488,764)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	10,361,336	860,482	15,627,196
Proceeds from issuance of loan payable	10,000,000	19,994,483	10,000,000
Restricted cash held as collateral on loan payable	(10,000,000)	—	—
Purchase of subsidiary stock	(1,250,000)	—	—
Proceeds from sale of subsidiary stock	27,500,000	—	—
Broker commissions and fees on capital raises	—	(400,000)	(545,000)
Deferred income from revenue participation rights	—	—	7,512,500
Dividends	—	(10,000)	(515,556)
Redemption of Series G Preferred stock	—	—	(5,757,500)
Repayment of mortgage and loans payable	(814,089)	(10,685,396)	(2,906,633)
NET CASH PROVIDED BY FINANCING ACTIVITIES	35,797,247	9,759,569	23,415,007
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,225,843	2,124,620	7,736,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,096,414	7,971,794	235,762
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 21,322,257	\$ 10,096,414	\$ 7,971,794
SUPPLEMENTARY INFORMATION:			
Interest paid	\$ 623,160	\$ 1,368,324	\$ 736,915
Income taxes paid	\$ —	\$ —	\$ —

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	12 Month Period Ended	12 Month Period Ended	12 Month Period Ended
	December 31,	December 31,	December 31,
	2013	2012	2011
NON-CASH TRANSACTIONS:			
Accrued compensation paid by equity instruments	\$ 165,748	\$ 347,528	\$ 229,564
Equipment purchased with financing	\$ 756,795	\$ 558,499	\$ 198,660
Debt and interest payments with common shares	\$ 8,608,694	\$ 4,262,528	\$ —
Series G Preferred Stock accretion	\$ —	\$ —	\$ 1,987,977
Series G Preferred Stock conversion	\$ —	\$ 250,000	\$ —
Offset account receivable with subscription payable (See NOTE J)	\$ —	\$ —	\$ 1,998,800

Summary of Significant Non-Cash Transactions

During 2013 we transferred 500,000 shares of Oceanica Resources, S.R. L. held by our wholly owned subsidiary Odyssey Marine Enterprises, Ltd. for \$625,000 of marine services. The shares were valued based on the two most recent transactions in Oceanica shares at \$1.25 per share.

The accompanying notes are an integral part of these financial statements.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Odyssey Marine Exploration, Inc. and subsidiaries (the “Company,” “Odyssey,” “us,” “we” or “our”) is engaged in the archaeologically sensitive exploration and recovery of deep-ocean shipwrecks throughout the world. Our corporate headquarters are located in Tampa, Florida.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding our financial statements. The financial statements and notes are representations of the Company’s management who are responsible for their integrity and objectivity and have prepared them in accordance with our customary accounting practices.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, Odyssey Marine Services, Inc., OVH, Inc., Odyssey Retriever, Inc., Odyssey Marine Entertainment, Inc., Odyssey Marine Enterprises, Ltd., Odyssey Marine Management, Ltd., Oceanica Marine Operations, S.R.L., and majority interest in Oceanica Resources, S.R.L. and Exploraciones Oceanicas, S. De R.L. De C.V. Equity investments in which we exercise significant influence but do not control and of which we are not the primary beneficiary are accounted for using the equity method. All significant inter-company and intra-company transactions and balances have been eliminated. The results of operations attributable to the non-controlling interest are presented within equity and net income, and are shown separately from the Company’s equity and net income attributable to the Company.

During the year ended December 31, 2013, our wholly owned subsidiary, Odyssey Marine Enterprises, Ltd., sold 24 million cuotas (shares) of its position in Oceanica Resources, S.R.L. for \$27.5 million in cash to a third-party investment group. According to the Accounting Standards Codification (“ASC”) 810 – *Consolidation*, paragraph 810-10-45-23, we have accounted for this transaction as an equity transaction. Therefore, no gain or loss has been recognized in consolidated net income or comprehensive income.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition and Accounts Receivable

In accordance with Topic A.1. in SAB 13: Revenue Recognition, exhibit and expedition charter revenue is recognized ratably when realized and earned as time passes throughout the contract period as defined by the terms of the agreement. Expenses related to the exhibit and expedition charter revenue are recorded as incurred and presented under the caption “Operations and research” on our Consolidated Statements of Income.

Artifact sales and other may also consist of revenues related to the recovery of shipwreck cargo, such as the bulk silver bullion from the *Gairsoppa* project that exceeds the directly related operating and recovery expenses. We recognize revenue when we complete our contractual obligation to deliver the silver bullion to the refining agent, the amount of revenue is reasonably assured based on the London Bullion Market rates and the bullion is in a format ready for sale into the market. Operating and recovery expenses incurred in connection with the *Gairsoppa* project contract consist of vessel-related expenses (ships’ crew, provisions, port fees and charter expenses), fuel, specialized equipment and administrative expenses. These expenses are charged to the Consolidated Statements of Income as incurred and subsequently reimbursed per our contract and recorded as a benefit (credit to expense) in the period we are assured of recoupment.

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Artifact sales and other is where we recognize deferred revenue related to revenue participation rights we previously sold to an investor. Upon receipt of funds payable to the investor for their revenue participation rights, we recognize revenue based upon the percent of investor-related proceeds from the sale of silver as a percentage of total proceeds that investor could earn under the revenue participation agreement.

Under our agreement with the United Kingdom Government for the *Gairsoppa* project, any proceeds from the recovery of the government-owned silver cargo are first applied as a reimbursement to us for search and recovery expenses related to the project. Any remaining net proceeds from the silver owned by the United Kingdom Government are then split 20/80 between the government and us, respectively. In 2012 and 2013 the proceeds from the silver sales were sufficient to fully reimburse our expenses and to provide net proceeds that were split between the two parties. The *Gairsoppa* project revenue recognized by us in 2012 and 2013 resulted from our share of the net proceeds from the sale of the recovered silver bullion that belonged to the United Kingdom Government. The United Kingdom Government reimburses us for all of the expenses incurred by us to recover their silver. Accordingly, we applied the expense reimbursement credit against our search and recovery expenses in the respective years Consolidated Statement of Income under the caption "Operating Expenses: Operations and Research."

Bad debts are recorded as identified and, from time to time, a specific reserve allowance will be established when required. A return allowance is established for sales that have a right of return. Accounts receivable is stated net of any recorded allowances.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks. We also consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Our inventory principally consists of artifacts recovered from the *SS Republic* shipwreck, other artifacts, general branded merchandise and related packaging material. Inventoried costs of recovered artifacts include the costs of recovery, conservation and administrative costs to obtain legal title to the artifacts. Administrative costs are generally legal fees or insurance settlements required in order to obtain clear title. The capitalized recovery costs include direct costs such as vessel and related equipment operations and maintenance, crew and technical labor, fuel, provisions, supplies, port fees and depreciation. Conservation costs include fees paid to conservators for cleaning and preserving the artifacts. We continually monitor the recorded aggregate costs of the artifacts in inventory to ensure these costs do not exceed the net realizable value. Historical sales, publications or available public market data are used to assess market value.

Packaging materials and merchandise are recorded at average cost. We record our inventory at the lower of cost or market.

Costs associated with the above noted items are the costs included in our costs of goods. Vessel costs associated with expedition revenue as well as exhibit costs are not included in cost of goods sold. Vessel costs include, but are not limited to, charter costs, fuel, crew and port fees. Vessel and exhibit costs are included in Operations and research in the Consolidated Statements of Income. In the case of revenues associated with the *Gairsoppa* project, the United Kingdom owned the silver we sold into the London Bullion Market on their behalf, therefore, there was no associated cost of goods.

Long-Lived Assets

Our policy is to recognize impairment losses relating to long-lived assets in accordance with the Accounting Standards Codification ("ASC") topic for Property, Plant and Equipment. Decisions are based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows.

Comprehensive Income

Securities with a maturity greater than three months from purchase date are deemed available-for-sale and carried at fair value. Unrealized gains and losses on these securities are excluded from earnings and reported as a separate component of stockholders' equity. At December 31, 2013, we did not own securities with a maturity greater than three months.

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Property and Equipment and Depreciation

Property and equipment is stated at historical cost. Depreciation is provided using the straight-line method at rates based on the assets' estimated useful lives which are normally between three and ten years. Leasehold improvements are amortized over their estimated useful lives or lease term, if shorter. Major overhaul items (such as engines or generators) that enhance or extend the useful life of vessel related assets qualify to be capitalized and depreciated over the useful life or remaining life of that asset, whichever is shorter. Certain major repair items required by industry standards to ensure a vessel's seaworthiness also qualify to be capitalized and depreciated over the period of time until the next scheduled planned major maintenance for that item. All other repairs and maintenance are accounted for under the direct-expensing method and are expensed when incurred.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. In periods when the Company generates income, the Company calculates basic earnings per share ("EPS") using the two-class method pursuant to ASC 260 *Earnings Per Share*. The two-class method is required effective with the issuance of the Senior Convertible Note disclosed in NOTE L because the note qualifies as participating security, giving the holder the right to receive dividends should dividends be declared on common stock. Under the two-class method, earnings for the period are allocated on a pro-rata basis to the common stockholders and to the holders of Convertible Notes based on the weighted average number of common shares outstanding and number of shares that could be converted. The Company does not use the two-class method in periods when it generates a loss as the holders of the Convertible Notes do not participate in losses.

Diluted EPS reflects the potential dilution that would occur if dilutive securities and other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in our earnings. We use the treasury stock method to compute potential common shares from stock options and warrants and the if-converted method to compute potential common shares from Preferred Stock, Convertible Notes or other convertible securities. As it relates solely to the Senior Convertible Note, for diluted earnings per share, the Company uses the more dilutive of the if-converted method or two-class method. When a net loss occurs, potential common shares have an anti-dilutive effect on earnings per share and such shares are excluded from the Diluted EPS calculation.

At December 31, 2013, 2012 and 2011 the weighted average common shares outstanding were 80,128,827, 73,889,112 and 70,179,935, respectively. For the periods ending December 31, 2013, 2012 and 2011 in which net losses occurred, all potential common shares were excluded from Diluted EPS because the effect of including such shares would be anti-dilutive.

The potential common shares, in the table following, represent potential common shares calculated using the treasury stock method from outstanding options and warrants that were excluded from the calculation of Diluted EPS:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average market price during the period	\$ 2.96	\$ 3.20	\$ 2.98
In the money potential common shares from options excluded	146,162	275,101	129,793
In the money potential common shares from warrants excluded	92,363	1,129,973	959,521

Potential common shares from out-of-the-money options and warrants were also excluded from the computation of diluted earnings per share because calculation of the associated potential common shares has an anti-dilutive effect. The following table lists options and warrants that were excluded from diluted EPS.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Out of the money options and warrants excluded:			
Stock Options with an exercise price of \$3.25 per share	100,000	—	—
Stock Options with an exercise price of \$3.30 per share	—	100,000	—
Stock Options with an exercise price of \$3.40 per share	100,000	—	—
Stock Options with an exercise price of \$3.43 per share	40,000	—	—

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Stock Options with an exercise price of \$3.50 per share	345,000	245,000	495,000
Stock Options with an exercise price of \$3.51 per share	—	959,500	984,670
Stock Options with an exercise price of \$3.53 per share	—	194,100	211,900
Stock Options with an exercise price of \$3.90 per share	20,000	20,000	—
Stock Options with an exercise price of \$4.00 per share	52,500	52,500	52,500
Stock Options with an exercise price of \$5.00 per share	—	200,000	650,000
Stock Options with an exercise price of \$7.00 per share	—	100,000	100,000
Warrants with an exercise price of \$3.60 per share	1,562,500	1,562,500	—
Warrants with an exercise price of \$4.32 per share	—	—	1,302,083
Warrants with an exercise price of \$5.25 per share	—	100,000	100,000
Total anti-dilutive warrants and options excluded from EPS	<u>2,220,600</u>	<u>3,533,600</u>	<u>3,896,153</u>

Potential common shares from outstanding Convertible Preferred Stock calculated per the if-converted basis having an anti-dilutive effect on diluted earnings per share were excluded from potential common shares as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Potential common shares from Preferred Stock excluded from computation of diluted earnings per share	32,400	206,400	346,400

The weighted average equivalent common shares relating to our unvested restricted stock awards that were excluded from potential common shares used in the earning per share calculation due to having an anti-dilutive effect are:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Excluded unvested restricted stock awards	152,026	177,830	90,033

The following is a reconciliation of the numerators and denominators used in computing basic and diluted net income per share:

	<u>12 Month Period Ended December 31, 2013</u>	<u>12 Month Period Ended December 31, 2012</u>	<u>12 Month Period Ended December 31, 2011</u>
Net loss	\$(10,741,272)	\$(18,184,113)	\$(16,225,308)
Accretion of Series G Preferred Stock	—	—	(1,987,977)
Cumulative dividends on Series G Preferred Stock	—	(10,000)	(409,035)
Fair market value of warrants issued to Series G Preferred Stock stockholders	—	—	(906,150)
Undeclared cumulative dividends on Series G Preferred Stock in arrears	—	—	(5,000)
Numerator, basic and diluted net loss available to stockholders	<u>\$(10,741,272)</u>	<u>\$(18,194,113)</u>	<u>\$(19,533,470)</u>
Denominator:			
Shares used in computation – basic:			
Weighted average common shares outstanding	<u>80,128,827</u>	<u>73,889,112</u>	<u>70,179,935</u>
Shares used in computation – diluted:			
Weighted average common shares outstanding	80,128,827	73,889,112	70,179,935
Dilutive effect of options, warrants and convertible instruments outstanding	—	—	—
Shares used in computing diluted net loss per share	<u>80,128,827</u>	<u>73,889,112</u>	<u>70,179,935</u>
Net loss per share – basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.25)</u>	<u>\$ (0.28)</u>

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Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Stock-based Compensation

Our stock-based compensation is recorded in accordance with the guidance in the ASC topic for Stock-Based Compensation (See NOTE R).

Fair Value of Financial Instruments

Financial instruments consist of cash, evidence of ownership in an entity, and contracts that both (i) impose on one entity a contractual obligation to deliver cash or another financial instrument to a second entity, or to exchange other financial instruments on potentially unfavorable terms with the second entity, and (ii) conveys to that second entity a contractual right (a) to receive cash or another financial instrument from the first entity, or (b) to exchange other financial instruments on potentially favorable terms with the first entity. Accordingly, our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, derivative financial instruments, mortgage and loans payable, and redeemable preferred stock. We carry cash and cash equivalents, accounts payable and accrued liabilities, and mortgage and loans payable at the approximate fair market value, and, accordingly, these estimates are not necessarily indicative of the amounts that we could realize in a current market exchange. We carry derivative financial instruments at fair value as is required under current accounting standards. We carry redeemable preferred stock at historical cost and accrete carrying values to estimated redemption values over the term of the financial instrument.

Derivative financial instruments consist of financial instruments or other contracts that contain a notional amount and one or more underlying variables (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets. See NOTE K for additional information. We generally do not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, we have entered into certain other financial instruments and contracts, such as our sale and issuance of redeemable preferred stock and freestanding warrants during October 2010 with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. As required by ASC 815 – Derivatives and Hedging, these instruments are required to be carried as derivative liabilities, at fair value, in our financial statements with changes in fair value reflected in our income.

Fair Value Hierarchy

The three levels of inputs that may be used to measure fair value are as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. Level 2 inputs also include non-binding market consensus prices that can be corroborated with observable market data, as well as quoted prices that were adjusted for security-specific restrictions.

Level 3. Unobservable inputs to the valuation methodology that is significant to the measurement of the fair value of assets or liabilities. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

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Redeemable Preferred Stock

Redeemable preferred stock (and, if ever, any other redeemable financial instrument we may enter into) is initially evaluated for possible classification as liabilities in instances where redemption is certain to occur pursuant to ASC 480 – *Distinguishing Liabilities from Equity*. Redeemable preferred stock classified as liabilities is recorded and carried at fair value. Redeemable preferred stock that does not, in its entirety, require liability classification is evaluated for embedded features that may require bifurcation and separate classification as derivative liabilities. In all instances, the classification of the redeemable preferred stock host contract that does not require liability classification is evaluated for equity classification or mezzanine classification based upon the nature of the redemption features. Generally, mandatory redemption requirements or any feature that could require cash redemption for matters not within our control, irrespective of probability of the event occurring, requires classification outside of stockholders' equity. Redeemable preferred stock that is recorded in the mezzanine section is accreted to its redemption value through charges to stockholders' equity when redemption is probable using the effective interest method. See NOTE Q for further disclosures about our redeemable preferred stock.

Subsequent Events

We have evaluated subsequent events for recognition or disclosure through the date this Form 10-K is filed with the Securities and Exchange Commission.

NOTE B – CONCENTRATION OF CREDIT RISK

We maintain the majority of our cash at one financial institution. From December 31, 2010 to December 31, 2012, all noninterest-bearing transaction accounts are fully insured by the Federal Deposit Insurance Corporation, regardless of the balance of the account, at all insured institutions. At December 31, 2013, our uninsured cash balance was approximately \$31.7 million.

Our term and project loans bear a variable interest rate based on LIBOR and our primary mortgage bears interest at a variable rate based on the prime rate. See NOTE L for further detail on these instruments. These instruments expose us to interest rate risk. On our primary mortgage, for an increase of every 100 basis points, our interest obligation increases, at most, by approximately \$1,000 per month until maturity in July 2016. On our term loan, an increase of every 100 basis points to the interest rate increases our interest obligation, at most, by approximately \$4,000 per month until maturity in July 2016. An increase of every 100 basis points to the interest rate for our project loan increases our interest obligation by approximately \$8,400 per month until maturity in July 2014. If an increase to the rates on these instruments occurs, it will have an adverse effect on our operating cash flows and financial condition but we believe it would not be material.

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and United States Treasury Bills maturing in less than ninety days from the date of purchase. At December 31, 2013, we did not own any United States Treasury Bills with a maturity of ninety days or longer.

NOTE D – RESTRICTED CASH

As required by the original mortgage loan entered into with Fifth Third Bank (the "Bank") on July 11, 2008, \$500,000 was deposited into an interest-bearing account from which principal and interest payments are made. On each anniversary of the mortgage, we were required to deposit into the account an amount sufficient to ensure a balance of \$500,000 for principal and interest payments for the subsequent year of the mortgage. This mortgage loan matured and was extended to July 2016. This new loan calls for a restricted cash balance of \$400,000 to be funded annually (see NOTE L). The balance in the restricted cash account is held as additional collateral by the Bank and is not available for operations. The balance in this account at December 31, 2013, was \$405,626.

During July 2013, we entered into a \$10.0 million project term loan with the Bank (see NOTE L). This loan matures in July 2014. Per the agreement, we deposited, from the loan proceeds, \$500,000 into a restricted bank account to cover principal and interest payments. This account balance is also pledged as additional security for the loan. There is no requirement to fund this account in the future. The balance in this account at December 31, 2013, was \$280,106. Also used as collateral for this loan is \$10 million in restricted cash from silver monetized from the *Gairsoppa* project during the fourth quarter of 2013. These funds are held in a separate account with the Bank.

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NOTE E – ACCOUNTS RECEIVABLE

The accounts receivable balances at December 31, 2013 and December 31, 2012 were \$207,005 and \$2,101,941, respectively, which are net of reserves of \$5,131,593 and \$4,820,593, respectively. As described in NOTE J, Neptune Minerals, Inc. (“NMI”) completed a 2011 share exchange with Dorado Ocean Resources, Ltd. (“DOR”) shareholders which resulted in an executed assignment and assumption agreement, whereby NMI assumed \$8,227,675 of the outstanding debt of DOR owed to us. Of the December 31, 2013 reserve balance, \$4,631,593 is allocated to the receivable NMI assumed from DOR while \$500,000 relates to the convertible note we extended to NMI during 2013. The \$4,820,593 reserve at December 31, 2012 is for the remaining NMI accounts receivable assumed from DOR. See NOTE J for further details regarding NMI.

The December 31, 2012 amount of \$2,101,941 includes \$1,470,357 representing revenue related to the remaining silver bullion to be sold into the London bullion market. We recovered approximately 61 tons of silver in 2013 and approximately 48 tons in 2012 from the SS *Gairsoppa* and had the silver refined which allowed us to sell the silver into London’s bullion market on behalf of United Kingdom Government. The “*Gairsoppa*” project is discussed at length in ITEM 1 of this Form 10-K.

NOTE F – INVENTORY

Our inventory consists of the following:

	<u>2013</u>	<u>2012</u>
Artifacts	\$5,406,183	\$5,743,915
Packaging	85,133	131,641
Merchandise	401,072	485,769
Merchandise reserve	(371,332)	(367,558)
Total Inventory	<u>\$5,521,056</u>	<u>\$5,993,767</u>

Based on our estimates of the timing of future sales, \$5,206,318 and \$5,574,841 of artifact inventory for the fiscal years ended 2013 and 2012 were classified as non-current.

NOTE G – OTHER CURRENT ASSETS

Our other current assets consist of the following:

	<u>2013</u>	<u>2012</u>
Prepaid expenses	\$1,025,083	\$772,660
Deposits	55,281	101,455
Total other current assets	<u>\$1,080,364</u>	<u>\$874,115</u>

For the period ended December 31, 2013, prepaid expenses consisted of \$290,260 of prepaid insurance premiums, \$354,627 for vessel fuel not yet consumed, \$66,330 of deferred financing fees, and \$313,866 of prepaid operating costs. For the period ended December 31, 2012, prepaid expenses consisted of \$87,922 of prepaid insurance premiums, \$396,907 for vessel fuel not yet consumed, \$205,608 of deferred financing fees, and \$82,223 of other operating prepaid costs. All prepaid expenses, except fuel, are amortized on a straight-line basis over the term of the underlying agreements. Fuel is expensed based on actual usage. Deposits are held by various entities for equipment, services, and in accordance with agreements in the normal course of business.

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Building, improvements and land	\$ 4,756,306	\$ 4,708,091
Computers and peripherals	1,431,789	1,134,420
Furniture and office equipment	1,973,130	1,722,255
Vessel and equipment	16,772,083	12,195,019
Exhibits and related	1,818,028	1,729,977
	<u>26,751,337</u>	<u>21,489,762</u>
Less: Accumulated depreciation	(16,973,085)	(15,038,811)
Property and equipment, net	<u>\$ 9,778,252</u>	<u>\$ 6,450,951</u>

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NOTE I – OTHER LONG-TERM ASSETS

Other long-term assets consist of the following:

	<u>2013</u>	<u>2012</u>
Artifacts	\$1,191,952	\$ 557,494
Deposits	1,673,709	541,590
Image use rights, net	280	3,646
Total other long-term assets	<u>\$2,865,941</u>	<u>\$1,102,730</u>

The artifact balances for both years consist of artifacts conserved specifically for the Company and are intended to be held long term by us. The 2013 artifacts balance consists primarily of SS *Republic* coins and silver bullion bars from the SS *Gairsoppa* silver recovery and other artifacts. The 2012 amount consists mainly of SS *Republic* coins and other artifacts. Deposits include \$432,500 on account with the United Kingdom's Ministry of Defense relating to the expense deposits for HMS *Sussex*, \$100,000 deposit to fund conservation and documentation of any artifacts recovered and \$1,187,400 of marine equipment deposits on items that will be fixed assets when received. The HMS *Sussex* deposits are refundable from proceeds the United Kingdom would receive if HMS *Sussex* is discovered and its artifacts monetized. If HMS *Sussex* is not discovered, the Company is at risk for the expense deposit portion. Other deposits are held by various vendors for equipment, services, and in accordance with agreements in the normal course of business. Image use rights are amounts paid to utilize, for a period up to five years, copyrighted images in our themed attractions.

NOTE J – INVESTMENT IN UNCONSOLIDATED ENTITY

Neptune Minerals, Inc.

During the quarter ended December 31, 2009, we invested \$500,000 for a 25% interest (five membership units) in SMM Project, LLC ("SMM") to pursue opportunities in the exploration of deep-ocean gold and copper deposits. SMM purchased a majority interest in Bluewater Metals Pty, Ltd. ("Bluewater"), an Australian company with licenses for mineral exploration of approximately 150,000 square kilometers of ocean floor in territorial waters controlled by four different countries in the South Pacific. In April 2010, SMM was acquired by Dorado Ocean Resources, Ltd. ("DOR") through a share exchange. At that time, DOR also acquired the remaining interest in Bluewater. We were issued 450 DOR shares in exchange for our surrendered units in SMM. We also acquired an additional 1,200 shares of DOR valued at \$2,000,000 that resulted in a 41.25% ownership of DOR. Under the terms of the Share Subscription Agreement, we had the option to pay for this investment in cash, provide marine services to DOR over a three-year period commencing April 2010, or exercise our contractual right to offset against the \$2,000,000 marine services accounts receivable owed to us. During 2011, we exercised our contractual right and offset these two amounts. The focus of DOR was on the exploration and monetization of gold- and copper-rich Seafloor Massive Sulfide ("SMS") deposits.

During 2011, we were engaged by Neptune Minerals, Inc. ("NMI") and its affiliates to perform marine services relating to deep-sea mining. The agreements provided for payments in cash and shares of Class B non-voting common stock of NMI. In 2011, we earned 2,066,600 shares of the Class B non-voting common stock from these engagements. During this same period, NMI completed a share exchange with DOR shareholders whereby each one outstanding share of DOR was exchanged for 1,000 shares of NMI Class B non-voting common stock. We received 1,650,000 shares of NMI Class B non-voting common stock for our 1,650 DOR shares pursuant to the share exchange. In connection with this share exchange, NMI executed an assignment and assumption agreement, whereby NMI assumed \$8,227,675 of the outstanding debt DOR owed to us. Additionally in 2011, we executed a debt conversion agreement with NMI, whereby we converted \$2,500,000 of the debt owed to us for 2,500,000 shares of NMI Class B non-voting common stock. At December 31, 2013, we have a net share position in NMI of 6,184,976 shares, which represents an approximate 29.6% ownership before any further dilution of the NMI stock.

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Regarding the debt conversion noted in the preceding paragraph, NMI's shares were valued at \$1.00 based on their most recent capital raise at the time when we executed the debt conversion agreement. Pursuant to that agreement, we converted \$2,500,000 of the debt owed to us for 2,500,000 shares of NMI Class B non-voting common stock. All the \$8,227,675 receivable was fully reserved for in 2010. Thus the \$2,500,000 portion of the debt owed to us had a book basis of zero. When we received the 2,500,000 shares as settlement of this accounts receivable, we took the position that the shares received had a carryover basis of zero until we could convert the shares to cash. Accordingly, no gain or loss was recognized in our financial statements in connection with this transaction.

At December 31, 2013, our share of unrecognized DOR (NMI) losses is \$19.0 million. We have not recognized the accumulated \$19.0 million in our income statement because these losses exceed our investment in DOR (NMI). Our investment has a carrying value of zero as a result of the recognition of our share of prior losses incurred by NMI under the equity method of accounting. Based on the NMI and DOR transactions described above, we believe it is appropriate to allocate this loss carryforward of \$19.0 million to any incremental NMI investment that may be recognized on our balance sheet in excess of zero. The aforementioned loss carryforward is based on NMI's last unaudited financial statements as of December 31, 2013. We do not have any guaranteed obligations to NMI, nor are we otherwise committed to provide financial support. Even though we were not obligated, during the three-months ended September 30, 2013, we, along with a second creditor, loaned funds to NMI of which our share is \$500,000, and this indebtedness is evidenced by a convertible note. This funding was not for the purpose of funding NMI's prior losses but for current requirements. Per ASC 323-10-35-29: *Additional Investment After Suspension of Loss Recognition*, we concluded this loan does not increase our ownership nor is to be considered in-substance stock. Based on the financial position of NMI at December 31, 2013, we reserved for this note in its entirety. This note carries an interest rate of 6% per annum and has a maturity date of April 26, 2014. The note includes a conversion option under which, at any time prior to the payment in full of the principal amount, we may elect to convert all or any portion of the unpaid principal and accrued and unpaid interest into NMI's Class-A voting shares. The conversion price is \$20.00 per share if this option is elected. If the note remains unpaid at maturity, there is a mandatory conversion clause that sets the conversion share price at \$12.00 per share.

Chatham Rock Phosphate, Ltd.

During the period ended June 30, 2012, we performed deep-sea mining exploratory services for Chatham Rock Phosphate, Ltd. ("CRP") valued at \$1,680,000. As payment for these services, CRP issued 9,320,348 of ordinary shares to us. The shares currently represent a 6.5% equity stake in CRP. With CRP being a thinly traded stock on the New Zealand Stock Exchange and guidance per ASC 320: *Debt and Equity Securities* regarding readily determinable fair value, we believe it was appropriate to not recognize this amount as an asset nor as revenue during that period.

NOTE K – DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarize the components of our derivative liabilities and linked common shares as of December 31, 2013 and 2012 and the amounts that were reflected in our income related to our derivatives for the years then ended:

	December 31,	
	2013	2012
Derivative liabilities:		
Embedded derivatives derived from:		
Senior Convertible Notes	\$ 47,243	\$1,529,583
Series G Convertible Preferred Stock	—	—
	<u>47,243</u>	<u>1,529,583</u>
Warrant derivatives		
Senior Convertible Notes	840,000	1,921,094
Series G Convertible Preferred Stock	83,580	1,905,526
Warrant derivatives	<u>923,580</u>	<u>3,826,620</u>
Total derivative liabilities	<u>\$ 970,823</u>	<u>\$5,356,203</u>
	December 31,	
	2013	2012
Common shares linked to derivative liabilities:		
Embedded derivatives:		
Senior Convertible Notes	1,729,647	4,247,343
Series G Convertible Preferred Stock	—	—
	<u>1,729,647</u>	<u>4,247,343</u>
Warrant derivatives		
Senior Convertible Notes	1,562,500	1,562,500
Series G Convertible Preferred Stock	525,000	2,250,000
	<u>2,087,500</u>	<u>3,812,500</u>
Total common shares linked to derivative liabilities	<u>3,817,147</u>	<u>8,059,843</u>

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	Years ended December 31,	
	2013	2012
Derivative income (expense):		
Unrealized gains (losses) from fair value changes:		
Senior Convertible Notes	\$ 593,001	\$1,747,133
Series G Convertible Preferred Stock	—	(115,955)
Warrant derivatives	<u>1,980,164</u>	<u>1,071,583</u>
	2,573,165	2,702,761
Redemptions of Series G Convertible Preferred Stock	—	393,166
Redemptions of Senior Convertible Notes	889,340	536,003
Exercise of Warrants	<u>922,875</u>	—
Total derivative income (expense)	<u>\$4,385,380</u>	<u>\$3,631,930</u>

Our Series G Convertible Preferred Stock and Warrant Financing Transaction on October 11, 2010, Series G Convertible Preferred Stock and Warrant Settlement Transaction during April 2011, and Senior Convertible Note and Warrant Financing Transaction on November 8, 2011 gave rise to derivative financial instruments. As more fully discussed in NOTE Q, we entered into the Series G Convertible Preferred Stock and Warrant Financing Transaction and the Series G Convertible Preferred Stock and Warrant Settlement Transaction on October 11, 2010 and April 14, 2011, respectively. The Series G Convertible Preferred Stock embodied certain terms and features that both possessed all of the conditions of derivative financial instruments and were not clearly and closely related to the host preferred contract in terms of economic risks and characteristics. These terms and features consist of the embedded conversion option and the related down-round anti-dilution protection provision, the Company's redemption privilege and the holder's redemption privilege. Each of the redemption features also embodies the redemption premium payments. Warrants issued with this transaction and the subsequent Settlement Transaction embodied down-round anti-dilution protection and, accordingly, were not afforded equity classification.

As more fully discussed in NOTE L, we entered into the Senior Convertible Note and Warrant Financing Transactions on November 8, 2011 and May 10, 2012. The Senior Convertible Notes embodied certain terms and conditions that were not clearly and closely related to the host debt agreement in terms of economic risks and characteristics. These terms and features consist of the embedded conversion options, certain redemption features and a conversion price reset feature. Warrants issued with this transaction embodied reset price protection and, accordingly, were not afforded equity classification.

Current accounting principles that are provided in ASC 815—*Derivatives and Hedging* require derivative financial instruments to be classified in liabilities and carried at fair value with changes recorded in income. In addition, the standards do not permit an issuer to account separately for individual derivative terms and features embedded in hybrid financial instruments that require bifurcation and liability classification as derivative financial instruments. Rather, such terms and features must be bundled together and fair valued as a single, compound embedded derivative. We have selected the Monte Carlo Simulations valuation technique to fair value the compound embedded derivative because we believe that this technique is reflective of all significant assumption types, and ranges of assumption inputs, that market participants would likely consider in transactions involving compound embedded derivatives. Such assumptions include, among other inputs, interest risk assumptions, credit risk assumptions and redemption behaviors in addition to traditional inputs for option models such as market trading volatility and risk free rates. We have selected Binomial Lattice to fair value our warrant derivatives because we believe this technique is reflective of all significant assumption types market participants would likely consider in transactions involving freestanding warrants derivatives. The Monte Carlo Simulations technique is a level three valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators.

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Significant inputs and results arising from the Monte Carlo Simulations process are as follows for the compound embedded derivative that has been bifurcated from our Senior Convertible Note and classified in liabilities:

	December 31, 2013	December 31, 2012
Quoted market price on valuation date	\$2.02	\$2.97
Contractual conversion rate	\$3.17	\$3.74
Range of effective contractual conversion rates	—	—
Contractual term to maturity	0.33 Years	1.33 Years
Implied expected term to maturity	0.33 Years	1.24 Years
Market volatility:		
Range of volatilities	47.4% – 91.2%	31.3% – 64.03%
Range of equivalent volatilities	59.9% – 69.9%	38.6% – 45.0%
Contractual interest rate	8.0 – 9.0%	8.0 – 9.0%
Range of equivalent market risk adjusted interest rates	8.08% -9.08%	9.0% -9.1%
Range of equivalent credit risk adjusted yields	0.67%	0.94% – 1.03%
Risk-free rates	0.01% – 0.07%	0.02% – 0.16%

The following table reflects the issuances of compound embedded derivatives, redemptions and changes in fair value inputs and assumptions related to the compound embedded derivatives during the years ended December 31, 2013 and 2012.

	Years ended December 31, 2013	2012
Balances at January 1	\$1,529,583	\$ 2,680,133
Issuances:		
Senior Convertible Note Financing	—	1,291,298
Expirations from redemptions of Series G Convertible Preferred Stock	(889,340)	(810,669)
Changes in fair value inputs and assumptions reflected in income	(593,001)	(1,631,179)
Balances at December 31	<u>\$ 47,242</u>	<u>\$ 1,529,583</u>

The fair value of the compound embedded derivative is significantly influenced by our trading market price, the price volatility in trading and the interest components of the Monte Carlo Simulation technique.

On October 11, 2010, we also issued warrants to acquire 1,800,000 of our common shares in connection with the Series G Convertible Preferred Stock Financing. During April 4-8, 2011, we issued warrants to acquire 525,000 of our common shares in connection the Series G Convertible Preferred Stock and Warrant Settlement Transaction. Finally, on November 8, 2011, we issued warrants to acquire 1,302,083 of our common shares in connection with the Senior Convertible Note Financing Transaction. These warrants required liability classification as derivative financial instruments because certain down-round anti-dilution protection or price protection features included in the warrant agreements are not consistent with the concept of equity. We applied the Binomial Lattice valuation technique in estimating the fair value of the warrants because we believe that this technique is most appropriate and reflects all of the assumptions that market participants would likely consider in transactions involving the warrants, including the potential incremental value associated with the down-round anti-dilution protections.

The Binomial Lattice technique is a level three valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators. Significant assumptions utilized in the Binomial Lattice process are as follows as of December 31, 2013 and 2012:

	December 31, 2013	2012
Linked common shares	—	1,725,000
Quoted market price on valuation date	—	\$2.97
Contractual exercise rate	—	\$2.4648
Term (years)	—	0.78
Range of market volatilities	—	33.1% – 49.17%
Risk free rates using zero coupon US Treasury Security rates	—	0.02% – 0.11%

All remaining warrants linked to 1,725,000 shares of common stock were exercised on October 11, 2013.

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	December 31,	
	2013	2012
Linked common shares	525,000	525,000
Quoted market price on valuation date	\$2.02	\$2.97
Contractual exercise rate	\$2.3793	\$2.4648
Term (years)	0.28	1.28
Range of market volatilities	50.1% – 88.3%	33.8% – 63.6%
Risk free rates using zero coupon US Treasury Security rates	0.01% – 0.07%	0.02% – 0.16%

	December 31,	
	2013	2012
Linked common shares	1,562,500	1,562,500
Quoted market price on valuation date	\$2.02	\$2.97
Contractual exercise rate	\$3.60	\$3.60
Term (years)	3.35	4.35
Range of market volatilities	51.1% – 78.2%	39.2% – 70.2%
Risk free rates using zero coupon US Treasury Security rates	0.07% – 0.78%	0.05% – 0.54%

Of the 1,302,083 common shares accessible from the warrant issued on November 8, 2011, 434,027 of those common shares were accessible only based upon the Company's election to require the lender to provide the additional financing. When the lender provided additional financing of \$8,000,000 on May 10, 2012, the additional 434,027 of common shares became accessible. Warrants indexed to an additional 260,417 were issued in conjunction with the additional financing.

The following table reflects the issuances of derivative warrants and changes in fair value inputs and assumptions related to the derivative warrants during the year ended December 31, 2013 and 2012.

	Years ended December 31,	
	2013	2012
Balances at January 1	\$ 3,826,619	\$ 4,653,160
Issuances:		
Series G Convertible Preferred Stock Financing	—	—
Senior Convertible Note Financing	—	363,542
Exercises:		
Series G Convertible Preferred Stock Financing	(922,875)	(118,500)
Changes in fair value inputs and assumptions reflected in income	(1,980,164)	(1,071,583)
Balances at December 31	<u>\$ 923,580</u>	<u>\$ 3,826,619</u>

The fair value of all warrant derivatives is significantly influenced by our trading market price, the price volatility in trading and the risk free interest components of the Binomial Lattice technique.

NOTE L – MORTGAGE AND LOANS PAYABLE

The Company's consolidated mortgages and notes payable consisted of the following at December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Term loan	\$ 5,000,000	\$ 5,000,000
Project Term loan	10,000,000	—
Face value \$10,000,000, 8% Convertible Senior Note Payable	1,176,076	8,234,367
Face value \$8,000,000, 9% Convertible Senior Note Payable	4,039,446	3,628,779
Mortgages payable	1,816,286	1,957,537
	<u>\$ 22,031,808</u>	<u>\$ 18,820,683</u>

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Term Loan

On May 4, 2011, we amended our revolving credit facility with Fifth Third Bank (the “Bank”) to replace it with a \$5.0 million term loan with a maturity date of April 23, 2012. A principal payment of \$2.0 million was due and paid prior to August 1, 2011, with the remainder due by maturity. This facility bore a floating interest at the one-month LIBOR rate as reported in the *Wall Street Journal* plus 500 basis points. Any prepayments made in full or in part are without premium or penalty. A commitment fee of \$250,000 was paid at closing. Restricted cash amounts are not required to be kept on deposit. As a condition to the loan renewal, we were required to amend the Loan Agreement (mortgage payable) for our corporate real estate facility, which matured on July 11, 2013, whereby we were required to pay additional principal to meet an 80% loan-to-value (LTV) based upon an independent real estate appraisal. All additional principal payments have been made.

On March 30, 2012, the above term loan was amended and increased to \$5 million with a maturity date of July 11, 2013. This facility bore floating interest at the one month LIBOR rate as reported in the *Wall Street Journal* plus 500 basis points. Any prepayments made in full or in part were without premium or penalty. No restricted cash payments were required to be kept on deposit. During July 2013 this term loan was amended with substantially the same terms that currently exist. This facility also bears floating interest at the one month LIBOR rate as reported in the *Wall Street Journal* plus 500 basis points. The new maturity date is July 2016. Beginning January 2014, we will be required to make semi-annual payments of \$500,000.

The current amended term loan is secured by approximately 25,000 numismatic coins recovered from the SS *Republic* shipwreck, which amount will be reduced over the term by the amount of coins sold by the Company. The coins used as collateral are held by a custodian for the security of the Bank. The borrowing base is equal to forty percent (40%) of the eligible coin inventory valued on a rolling twelve-month wholesale average value. The Company is required to comply with a number of customary covenants. The significant covenants include: maintaining insurance on the inventory; ensuring the collateral is free from encumbrances and without the consent of the Bank, the Company cannot merge or consolidate with or into any other corporation or entity nor can the Company enter into a material debt agreement with a third party without approval. We were in compliance with all covenants at December 31, 2013.

Project Term Loan

During July 2013, we entered into a \$10.0 million project term loan agreement with Fifth Third Bank. The facility matures on July 24, 2014. This term loan bears interest at a floating rate equal to the one-month LIBOR rate plus 500 basis points. We may make prepayments in whole or in part without premium or penalty. An origination fee of \$50,000 was paid at closing. A restricted cash deposit (see NOTE C) of \$500,000 is required to cover interest payments. The term loan is secured by \$10.0 million that was monetized from silver recovered from the SS *Gairsoppa*. We recovered approximately 1.8 million ounces of silver bullion in total during July 2013 which was monetized during 2013. We are required to comply with a number of customary affirmative and negative covenants of which we were in compliance at December 31, 2013. The proceeds were used to fund the project recovery costs.

Mortgages Payable

On July 11, 2008, we entered into a mortgage loan with Fifth Third Bank. Pursuant to the Loan Agreement, we borrowed \$2,580,000. The loan bore interest at a variable rate equal to the prime rate plus three-fourths of one percent (0.75%) per annum. The loan matured on July 11, 2013, and required monthly principal payments in the amount of \$10,750 plus accrued interest. This loan was secured by a restricted cash balance (See NOTE C) as well as a first mortgage on our corporate office building. This loan contained customary representations and warranties, affirmative and negative covenants, conditions, and other provisions of which we were in compliance during 2013. As of June 30, 2013, the loan balance outstanding was \$1,302,000.

During July 2013 when the above noted mortgage matured, we extended it on substantially the same terms that previously existed. The new maturity date is July 2016. The loan bears interest at a variable rate equal to the prime rate plus three-fourths of one percent (0.75%) per annum. Monthly principal payments in the amount of \$10,750 plus accrued interest are required. This loan is secured by a restricted cash balance (See NOTE C) as well as a first mortgage on our corporate office building. This loan contains customary representations and warranties, affirmative and negative covenants, conditions, and other provisions of which we were in compliance at December 31, 2013. As of December 31, 2013, the loan balance outstanding was \$1,248,250.

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During May 2008, we entered into a mortgage loan in the principal amount of \$679,000 with The Bank of Tampa to purchase our conservation lab and storage facility. This obligation has a monthly payment of \$5,080 with a maturity date of May 14, 2015. Principal and interest payments are payable monthly. Interest is at a fixed annual rate of 6.45%. This debt is secured by the related mortgaged real property. As of December 31, 2013, the loan balance outstanding was \$569,036. The seller originally carried a second mortgage for \$100,000 with interest due monthly and \$25,000 of principal due each May commencing in May 2009. As of June 30, 2012, this debt was paid in full. The interest was at a variable rate of 1.0% above the prime interest rate stated by BB&T, formerly Colonial Bank of Tampa.

Senior Convertible Note

Initial Note

During November 2011, we entered into a securities purchase agreement (the “Purchase Agreement”) with one institutional investor pursuant to which we issued and sold a Senior Convertible Note in the original principal amount of \$10.0 million (the “Initial Note”) and a warrant (the “Warrant”) to purchase up to 1,302,083 shares of our common stock. Subject to the satisfaction of conditions set forth in the Purchase Agreement, we had the right to require the investor to purchase an additional senior convertible note in the original principal amount of up to \$5.0 million on the six-month anniversary of the initial closing date (the “Additional Note” and, collectively “Notes”). Aggregate direct finance costs amounted to \$545,000 of which \$45,000 related to costs of the lender and, accordingly, were included in the original issue discount on the Initial Note.

The indebtedness evidenced by the Initial Note bears interest at 8.0% percent per year (15% under default conditions, if applicable). Interest is compounded monthly and payable quarterly at the beginning of each calendar quarter. The Initial Note is amortized with equal monthly principal installments of \$434,783 that commenced on July 8, 2012. Prepayment is not allowed. Further, the Notes may be converted into our common stock, at the option of the holder, at any time following issuance, with respect to the Initial Note, or at any time following six months after the date of issuance, with respect to the Additional Note. The initial conversion price of the Initial Note was \$3.74, subject to adjustment on the six-month anniversary of the initial closing date as follows: The reset conversion price applicable to the Initial Note was to be adjusted to the lesser of (a) the then current conversion price and (b) the greater of (i) \$1.44 and (ii) 110.0% of the market price of our common stock on the six-month anniversary of the initial closing date (as applicable, the “Conversion Price”). On May 10, 2012 (the six-month anniversary of the initial closing date), the conversion price applicable to the Initial Note was adjusted to \$3.17, which represented 110.0% of the market price of Odyssey’s common stock. The conversion price is also subject to adjustment for stock splits, stock dividends, recapitalizations, and similar transactions. We have agreed to pay each amortization payment in shares of our common stock, if certain conditions are met; provided, that we may, at our option, elect to pay such amortization payments in cash. The conversion rate applicable to any amortization payment that we make in shares of our common stock will be the lower of (a) the Conversion Price and (b) a price equal to 85.0% of the average for a ten-day period immediately prior to the applicable amortization date of the volume-weighted average price of our shares of common stock.

The Initial Note provides for redemption upon the occurrence of an event of default. Default conditions include non-servicing of the debt and certain other credit risk related conditions. Default conditions also include certain equity indexed events including failures to file public information documents, non-conversion or insufficient share authorizations to effect conversion and failure to obtain and maintain an effective registration statement covering the underlying common shares. The remedies to the investor for events of default include acceleration of payment at 125% of the remaining face value in certain circumstances. In the event the default redemption is not paid, the investor would have the right to elect conversion of the note at an adjusted conversion price approximating 75% of quoted market prices. A change in control would also result in a redemption requirement at 125% of the face value.

The Notes extend no voting rights to the investors. However, the Notes extend participation rights in dividend payments, if any, made to the holders of the Company’s common or other class of stock, except our Series G Preferred Stock. The holder of the Initial Note elected to apply some of the payments due on the principal balance of the Initial Note to the Additional Note described below. During the year ended December 31, 2013, we issued 3,282,934 shares of common stock as payment of \$8,608,694 in outstanding principal. The principal balance of the Initial Note at December 31, 2013 was \$1,391,306 which is bifurcated on our balance sheet between derivative liabilities and mortgage and loans payable.

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Under the terms of the Warrant, the holder is entitled to exercise the Warrant to purchase up to 1,302,083 shares of our common stock at an initial exercise price of \$4.32 per share, during the five-year period beginning on the six-month anniversary of the initial closing date; provided, that 434,027 shares of our common stock issuable upon exercise of the Warrant could not be exercised unless the investor purchased the Additional Note. In accordance with the terms of the warrant agreement, on May 10, 2012, the exercise price applicable to the Warrant was adjusted to \$3.60 which was the lesser of (a) the then current exercise price and (b) 125.0% of the market price of our common stock on the six-month anniversary of the initial closing date. The Exercise Price is also subject to adjustment for stock splits, stock dividends, recapitalizations, and similar transactions. We are generally prohibited from issuing shares of common stock upon exercise of the Warrant if such exercise would cause us to breach our obligations under the rules or regulations of the stock market on which the common stock is traded.

In connection with the financing, we entered into a registration rights agreement pursuant to which we agreed to file a registration statement with the Securities and Exchange Commission (with the "SEC") relating to the offer and sale by the investor of the shares of common stock issuable upon conversion of the Notes and the exercise of the Warrant. Pursuant to the agreement, we were required to file the registration statement within six months of the initial closing date and to use best efforts for the registration statement to be declared effective 90 days thereafter (or 120 days thereafter if the registration statement is subject to review by the SEC).

Additional Note

On May 10, 2012, we issued the Additional Note in the original principal amount of \$8.0 million, and the number of shares of Odyssey's common stock issuable upon exercise of the Warrant increased to 1,562,500. The Additional Note bears interest at 9.0% per year and will mature on the 30-month anniversary of the initial closing date. The Additional Note amortizes in equal monthly installments commencing on the eighth-month anniversary of the initial note and may be paid in cash or Odyssey common stock. The Additional Note may be converted into Odyssey's common stock, at the option of the holder, at any time following six months after the date of issuance. The conversion rate applicable to any amortization payment that we make in shares of our common stock will be the lower of (a) the Conversion Price and (b) a price equal to 85.0% of the average for a ten-day period immediately prior to the applicable amortization date of the volume-weighted average price of our shares of common stock. The initial conversion price of the Additional Note is \$3.74, subject to reset on the earlier of the date the registration statement registering the offer and sale of the common stock issuable under the notes and the warrants becomes effective and a prospectus contained therein shall be available for the resale by the holder of all of the registrable securities or the six-month anniversary of the additional closing date. The registration statement was declared effective on July 6, 2012, and there was no reset to the conversion price of the Additional Note.

On January 2, 2013, we entered into an agreement to amend the terms of the Additional Note. The installment payments due December 1, 2012, January 1, 2013 and February 1, 2013 were deferred until March 1, 2013 and the conversion price on the Additional Note was decreased from \$3.74 to \$3.17. We evaluated the amendment's impact on the accounting for the Additional Note in accordance with ASC 470-50-40-6 through 12 to determine whether extinguishment accounting was appropriate. The modification had a cash flow effect on a present value basis of less than 10% and the reduction in the conversion price resulted in a change in the fair value of the embedded conversion option that was less than 10% of the carrying value of the Additional Note immediately prior to the modification. Since the amendment did not result in a substantial modification, extinguishment accounting was not applicable. The principal balance of the Additional Note at December 31, 2013 was \$4,086,957 which is bifurcated on our balance sheet between derivative liabilities and mortgage and loans payable.

Accounting considerations

We have accounted for the Initial Note, Additional Note and Warrant issued for cash as a financing transaction, wherein the net proceeds that we received were allocated to the financial instruments issued. Prior to making the accounting allocation, we evaluated the Initial Note, Additional Note and the Warrant for proper classification under ASC 480 *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815 *Derivatives and Hedging* ("ASC 815").

ASC 815 generally requires the analysis embedded terms and features that have characteristics of derivatives to be evaluated for bifurcation and separate accounting in instances where their economic risks and characteristics are not clearly and closely related to the risks of the host contract. The material embedded derivative features consisted of the conversion option and related conversion reset price protection, the Company's redemption privilege, and certain redemption rights that were indexed to equity risks. The conversion option and conversion reset price protection, along with the redemption features bearing risks of equity, were not clearly and closely related to the host debt agreement and required bifurcation. Current

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accounting principles that are also provided in ASC 815 do not permit an issuer to account separately for individual derivative terms and features that require bifurcation and liability classification. Rather, such terms and features must be and were bundled together and fair valued as a single, compound embedded derivative.

The Warrant has a term of five and one-half years and at inception, had an initial exercise price of \$4.32. The contractual exercise price is subject to adjustment for both traditional recapitalization events and was reset on the sixth month anniversary of issuance to \$3.60 per share. Although the warrant did not fall within the scope of ASC 480, the warrant required derivative liability accounting because the conversion price reset protection terms are not consistent with the definition for financial instruments indexed to a company's own stock.

Based on the previous conclusions, we allocated the cash proceeds first to the derivative components at their fair values (see NOTE K) with the residual allocated to the host debt contract, as follows:

	Allocation
Initial Note	\$4,910,862
Compound embedded derivative	2,989,537
Derivative warrants	<u>2,054,601</u>
	<u>\$9,955,000</u>

The basis that was subject to allocation included the gross proceeds of \$10,000,000, less costs of the investor paid out of proceeds that amounted to \$45,000. We also allocated the direct financing costs of \$500,000 to the note payable and the derivative components based upon the relative fair values of these financial instruments. As a result of this allocation, \$246,653 was recorded in deferred costs and \$253,347 was recorded as expense.

Allocation of the cash proceeds related to the Additional Financing was as follows:

	Allocation
Additional Note	\$6,339,642
Compound embedded derivative	1,291,298
Derivative warrants	<u>363,542</u>
	<u>\$7,994,482</u>

The basis that was subject to allocation included the gross proceeds of \$8,000,000, less costs of the investor paid out of proceeds that amounted to \$5,518. We also allocated the direct financing costs of \$400,000 to the note payable and the derivative components based upon the relative fair values of these financial instruments. As a result of this allocation, \$317,201 was recorded in deferred costs and \$82,799 was recorded as expense.

The financing basis allocated to the notes payable and the deferred asset arising from direct finance costs are subject to amortization with periodic charges to interest expense using the effective interest method. Amortization of these components included in interest expense during the years ended December 31, 2013 and 2012 amounted to \$2,146,182 and \$4,545,781, respectively. Amortization during the year ended December 31, 2012 included \$223,783 representing the difference between the portion of the Additional Note which was redeemed and its carrying value. The derivative components are subject to re-measurement to fair value at the end of each reporting period with the change reflected in income. See NOTE K for information about our derivatives.

Long-Term Obligation Maturities :

	Total	2014	2015	2016	2017	2018	More than 5 years
Long term obligations	\$12,294,546	\$6,632,320	\$1,671,274	\$3,990,952	\$—	\$—	\$—
Operating leases	744,186	744,186	—	—	—	—	—
Interest on obligations	699,792	366,295	233,757	99,740	—	—	—
Total obligations	<u>\$13,738,524</u>	<u>\$7,742,801</u>	<u>\$1,905,031</u>	<u>\$4,090,692</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

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Long-term obligations represent the amount due on our existing mortgages and convertible note as described above. The operating lease represents our vessel charter. The vessel charter is set to expire on April 30, 2014. We are considering extending this vessel charter but have not done so at this time. The current charter allows for extensions. If this vessel charter is extended, the daily rate would be approximately \$14,000.

NOTE M – ACCRUED EXPENSES

Accrued expenses consist of the following:

	2013	2012
Compensation and bonuses	\$1,610,357	\$ —
Customer deposits	22,083	82,175
Project proceeds payable	1,325,122	—
Revenue participation distribution payable	—	12,506,755
Vessel operations	1,394,670	926,648
Professional services	222,274	335,748
Income tax provision	496,055	—
Other operating	223,859	199,514
Total accrued expenses	<u>\$5,294,420</u>	<u>\$14,050,840</u>

Vessel operations relates to expenditures required to operate our ships such as fuel, repair and maintenance, port fees and charter related. Professional fees are mainly attributable to legal fees and related and other professional services in support of operations. Other operating expenses contain general items related to, but not limited to marketing, insurance and the exhibit. As discussed in the Revenue Recognition and Accounts Receivable of NOTE A, the United Kingdom Government is to receive 20% of available proceeds after our reimbursement of search and recovery expenses. The Project proceeds payable represents a share of the United Kingdom Government's 20%. See NOTE P for 2012's Revenue participation distribution payable. See NOTE S for detail on the income tax provision.

NOTE N – DEFERRED REVENUE

Since 2009, we entered into several marine search services contracts associated with the Robert Frasier Marine, Ltd. projects. For each contract, revenue is recognized over the contractual period when services are performed as defined by the contract. The period of time a search project remains active varies but usually extends over several months and may be accelerated or extended depending upon operational factors. At December 31, 2013, we have a \$1,840,404 service obligation on one service contract that will be recognized as revenue over the period of time the contractual services are provided. At December 31, 2012, we had a \$2,835,522 service obligation on two service contracts that will be recognized as revenue over the period of time the contractual services are provided. For the years ended December 31, 2013 and 2012, we earned charter expedition revenue, exclusive of the sale of research, of \$115,009 and \$709,618, respectively, relating to these contracts. During 2013 one of the service contracts remaining that had a deferred balance of 995,117 was terminated. Of the service liability remaining \$440,054 was settled with cash, \$440,054 was settled with zero basis shares we held in NMI. These shares were transferred to the customer and \$115,009 became revenue when the final balance of the service liability was mutually agreed to. The \$440,054 that was settled with our zero basis shares held in NMI is recorded in Other Income within our Consolidated Statements of Income.

NOTE O – RELATED PARTY TRANSACTIONS

On December 9, 2002, a Georgia limited liability company acquired rights from an unrelated third party through a foreclosure sale to receive 5% of post-finance cost proceeds, if any, from shipwrecks that we may recover within a predefined search area of the Mediterranean Sea. The shipwreck we believe to be HMS *Sussex* is located within this search area. Two of our officers and directors at the time owned a 58% interest in the limited liability company until they sold their interests to an unrelated third party in 2005. If, at any time, Odyssey is forced to cancel or abandon the project due to political interference, the officers may be required to buy back their interests.

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NOTE P – REVENUE PARTICIPATION RIGHTS

The Company's participating revenue rights consisted of the following at December 31, 2013 and 2012:

	December 31,	December 31,
	<u>2013</u>	<u>2012</u>
"Cambridge" (now "HMS Sussex") project	\$ 825,000	\$ 825,000
"Republic" (now "Seattle") project	62,500	62,500
Galt Resources, LLC	3,756,250	3,756,250
Total participating revenue rights	<u>\$ 4,643,750</u>	<u>\$ 4,643,750</u>

We previously sold Revenue Participation Certificates ("RPCs") that represent the right to share in our future revenues derived from the "Cambridge" project, which is now referred to as the HMS *Sussex* shipwreck project. We also sold RPCs related to a project formerly called the "Republic" project which we now call the "Seattle" project. The "Seattle" project refers to a shipwreck which we have not yet located. The "Cambridge" RPC units constitute restricted securities.

Each \$50,000 convertible "Cambridge" RPC entitles the holder to receive a percentage of the gross revenue received by us from the "Cambridge" project, which is defined as all cash proceeds payable to us as a result of the "Cambridge" project, less any amounts paid to the British Government or their designee(s); provided, however, that all funds received by us to finance the project are excluded from gross revenue. The "Cambridge" project holders are entitled to 100% of the first \$825,000 of gross revenue, 24.75% of gross revenue from \$4 - 35 million, and 12.375% of gross revenue above \$35 million generated by the project.

In a private placement that closed in September 2000, we sold "units" consisting of "Republic" Revenue Participation Certificates and Common Stock. Each \$50,000 "unit" entitled the holder to 1% of the gross revenue generated by the "Seattle" project (formerly referred to as the "Republic" project), and 100,000 shares of Common Stock. Gross revenue is defined as all cash proceeds payable to us as a result of the "Seattle" project, excluding funds received by us to finance the project.

The participating rights balance will be amortized under the units of revenue method once management can reasonably estimate potential revenue for each of these projects. The RPCs for the "Cambridge" and "Republic" projects do not have a termination date, therefore these liabilities will be carried on the books until revenue is recognized from these projects or we permanently abandon either project.

In February 2011, we entered into a project syndication deal with Galt Resources LLC ("Galt") for which they invested \$7,512,500 representing rights to future revenues of any one project Galt selected prior to December 31, 2011. If the project is successful and generates sufficient proceeds, Galt will recoup their investment plus three times the investment. Galt's investment return will be paid out of project proceeds. Galt will receive 50% of project proceeds until this amount is recouped. Thereafter, they will share in additional net proceeds of the project at the rate of 1% for every million invested. Subsequent to the original syndication deal, we reached an agreement permitting Galt to bifurcate their selection between two projects, the SS *Gairsoppa* and HMS *Victory* with the residual 1% on additional net proceeds assigned to the HMS *Victory* project only. The bifurcation resulted in \$3,756,250 being allocated to each of the two projects. Therefore, Galt will receive 7.5125% of net proceeds from the HMS *Victory* project after they recoup their investment of \$3,756,250 plus three times the investment. Galt was paid in full in the amount of \$12,506,755 during the first quarter of 2013 for their remaining share of the *Gairsoppa* project investment. There are no future payments remaining to Galt for the *Gairsoppa* project nor will they receive or have they received any further distributions from the *Gairsoppa* project proceeds. Based on the timing of the proceeds earmarked for Galt, the relative corresponding amount of Galt's revenue participation right of \$3,756,250 was amortized into revenue in 2012 based upon the percent of Galt-related proceeds from the sale of silver as a percentage of total proceeds that Galt earned under the revenue participation agreement (\$15 million).

NOTE Q – REDEEMABLE SERIES G PREFERRED STOCK

During October 2010, we designated and issued 24 shares of our authorized preferred stock as Series G 8% Convertible Preferred Stock, par value \$0.0001 per share (the "Series G Preferred") as further discussed below. In April 2011 and October 2011, we redeemed 3 and 20 shares, respectively, from certain holders of the Series G Preferred for cash of \$757,500 and \$5,065,556, respectively, under the terms and conditions of the Series G Preferred Certificate of Designation. At the time of redemption, the carrying value of these shares of Series G Preferred amounted to \$558,926 and \$5,000,000, respectively. We recorded the difference between the redemption values paid and the carrying values amounting to \$198,574 and \$65,556, respectively, as a deemed dividend in paid-in capital. See NOTE K for our accounting for the associated compound embedded derivative that had been bifurcated and classified in liabilities. During July 2012, the remaining 1 share of Series G Preferred was converted into 140,000 shares of common stock. There are no cumulative dividends in arrears.

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Significant terms and conditions of the Series G Preferred were as follows:

Dividends . The holders of the Series G Preferred were generally entitled to receive cash dividends at a rate of \$20,000 per share per year (or 8%), payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2011. The dividends were cumulative and accrued, whether or not earned or declared, from and after the date of issue.

Liquidation Preference . In the event of any liquidation, dissolution, or winding up of Odyssey's affairs, each holder of the Series G Preferred then outstanding would be entitled to receive, before any payment or distribution would be made on Odyssey's common stock or any capital stock of Odyssey ranking junior to the Series G Preferred as to the payment of dividends or the distribution of assets, an amount per share of Series G Preferred equal to the sum of (a) \$250,000 plus (b) any accrued but unpaid dividends.

Voting Rights . The holders of Series G Preferred were entitled to one vote for each share of common stock into which the Series G Preferred was convertible and were entitled to notice of meetings of stockholders. The holders of Series G Preferred were be entitled to vote as a separate class with respect to certain matters. However, no holder could exercise its voting rights if doing so would result in the holder beneficially owning in excess of 9.9% of the outstanding common stock, unless waived by the holder.

Conversion Rights . At any time on or after April 15, 2011, any holder of shares of Series G Preferred could convert any or all of the shares into shares of common stock. Each share of Series G preferred was convertible into the number of shares determined by dividing \$250,000 by \$1.785714, which was the conversion price. The number of shares of common stock issuable upon conversion of the Series G Preferred was subject to adjustment in certain events, as discussed in the next paragraph.

Adjustments to Conversion Rights . If Odyssey paid a dividend or made a distribution on its common stock in shares of common stock, subdivided its outstanding common stock into a greater number of shares, or combined its outstanding common stock into a smaller number of shares, or if there was a reorganization, or a merger or consolidation of Odyssey with or into any other entity which resulted in a conversion, exchange, or cancellation of the common stock, or a sale of all or substantially all of Odyssey's assets, then the conversion rights described above would have been adjusted appropriately so that each holder of Series G Preferred would have received the securities or other consideration the holder would have received if the holder's Series G Preferred had been converted before the happening of the event. The conversion price in effect from time to time was also subject to downward adjustment if we issued or sold shares of common stock for a purchase price less than the conversion price or if we issued or sold shares convertible into or exercisable for shares of common stock with a conversion price or exercise price less than the conversion price for the Series G Preferred.

Limitations Upon Conversion Rights . No holder could convert shares of Series G Preferred if such conversion would result in the holder beneficially owning in excess of 9.9% of the outstanding common stock, unless waived by the holder. In addition, we would not issue any shares of common stock upon conversion of shares of Series G Preferred if the issuance of such shares of common stock would exceed the aggregate number of shares of common stock that we may issue upon conversion of all outstanding shares of Series G Preferred and the outstanding warrants offered hereby without breaching our obligations under the listing rules of the NASDAQ Stock Market relating to stockholder approval of certain issuances of securities.

Redemption . Odyssey had the option to redeem the Series G Preferred, in whole or in part, at any time after December 15, 2010 at a redemption price of 100% of the liquidation value. Commencing after March 31, 2011, the redemption price would increase 1.0% each month without cap. Each holder will had the option to require Odyssey to redeem the Series G Preferred, in whole or in part, at any time after December 15, 2011 at a redemption price commencing at 109% of the liquidation value, which increased 1.0% each month without cap such that, after December 15, 2011, the holder's and Odyssey's redemption prices will equal. In either case, the redemption price to be paid by Odyssey for each share of Series G Preferred would be the redemption prices referred to above plus accrued dividends. There was no sinking fund requirement for redemption of the Series G preferred stock.

On October 11, 2010, we issued (i) 20 shares of Series G Preferred, plus warrants to purchase 1,530,000 shares of our common stock for cash of \$5,050,000 and (ii) 4 shares of Series G Preferred, plus warrants to purchase 270,000 shares of our common stock to settle certain promissory notes with a carrying value of \$928,481. We have accounted for the Series G Preferred and warrants issued for cash as a financing transaction, wherein the net proceeds that we received were allocated to the financial instruments issued. We have accounted for the Series G Preferred and warrants issued in settlement of the promissory notes as an exchange, wherein we have recorded the financial instruments issued at their fair values and extinguished the promissory notes resulting in an extinguishment loss.

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The following table summarizes the allocation for each of these transactions as of October 11, 2010:

	<u>Financing</u>	<u>Exchange</u>	<u>Total</u>
Redeemable preferred stock (1)	\$2,747,476	\$ 888,997	\$3,636,473
Compound embedded derivatives (2)	1,389,114	261,318	1,650,432
Warrant derivatives (2)	913,410	161,190	1,074,600
Extinguishment loss	—	(383,023)	(383,023)
	<u>\$5,050,000</u>	<u>\$ 928,482</u>	<u>\$5,978,482</u>

- (1) The fair value of the redeemable preferred stock was estimated based upon its forward cash flow value, at a credit-risk adjusted market interest rate, as enhanced by the fair value of the conversion feature. Credit-risk adjusted rates used to discount the cash flow component ranged from 3.98% to 4.89% over our estimated period to redemption, which was October 2013. The fair value of the conversion feature is reflected in the compound embedded derivative line of the table.
- (2) See NOTE K for information related to the valuation of these financial instruments both on the inception date of the transactions and at December 31, 2013.

Prior to making the above accounting allocation, we evaluated the Series G Preferred and the warrants for proper classification under ASC 480 - Distinguishing Liabilities from Equity and ASC 815 - Derivatives and Hedging.

Series G Preferred :

ASC 480 generally requires liability classification for financial instruments that are certain to be redeemed, represent obligations to purchase shares of stock or represent obligations to issue a variable number of common shares. We concluded that the Series G Preferred was not within the scope of ASC 480 because none of the three conditions for liability classification was present.

ASC 815 generally requires the analysis embedded terms and features that have characteristics of derivatives to be evaluated for bifurcation and separate accounting in instances where their economic risks and characteristics are not clearly and closely related to the risks of the host contract. However, in order to perform this analysis we were first required to evaluate the economic risks and characteristics of the Series G Preferred in its entirety as being either akin to equity or akin to debt. Our evaluation concluded that the Series G was more akin to a debt-like contract largely due to the fact that the financial instrument is mandatorily redeemable for cash at the option of the holder and has a return in the form of a dividend that operates similarly with an interest rate on debt. Other features of the Series G Preferred that operate like equity, such as the conversion option and voting feature, did not afford sufficient evidence, in our view, to offset the weight of the primary debt-like features; that is, the redemption feature and the dividend feature. Accordingly, based upon this conclusion the clear and close relationship of embedded derivative features was made relative to a debt-like contract.

The material embedded derivative features consisted of the conversion option and related down-round anti-dilution protection, the Company's redemption privilege, and the holder's redemption privilege. The conversion option and related anti-dilution protection, bearing risks of equity, were not clearly and closely related to the debt-like Series G Preferred and required bifurcation. The redemption features, although generally bearing risks of debt, such as credit and interest risk, were not clearly and closely related to the Series G Preferred because the Series G Preferred was deemed to be issued at a substantial discount and there are scenarios, however improbable or remote, that the redemption features as designed could double the investor's initial rate of return. Current accounting principles that are also provided in ASC 815 do not permit an issuer to account separately for individual derivative terms and features that require bifurcation and liability classification. Rather, such terms and features must be and were bundled together and fair valued as a single, compound embedded derivative.

Redeemable preferred stock represents preferred stock that is either redeemable for cash on a specific date or contingently redeemable for cash for events that are not within the control of management. Redeemable preferred stock is required to be classified outside of stockholders' equity (in the mezzanine section). Because the Series G Preferred was redeemable at the holder's option, we were required to record the residual from our allocation to the mezzanine section. This amount was further subject to accretion to the redemption value over the term to the earliest redemption date using the effective method. The Series G Preferred was fully accreted to its redemption value during the period from inception to April 2011.

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Warrants :

The warrants issued in the financing and exchange transactions have terms of three years and an exercise price of \$2.50. The contractual exercise price is subject to adjustment for both traditional recapitalization events and sales of common stock or other common stock linked contracts below the contractual exercise price. The latter is referred to as down-round anti-dilution protections. The warrants did not fall within the scope of ASC 480 under any of the three conditions referred to above. However, the warrants required derivative liability accounting because certain down-round anti-dilution protections are terms that are not consistent with the definition for financial instruments indexed to a company's own stock.

In November 2012, the exercise price of the warrants issued in connection with the Series G Convertible Preferred Stock adjusted from \$2.50 to \$2.4648 when we issued common stock at a lower price. The reduction in exercise price resulted in an increase in the fair value of the warrants of approximately \$106,000. 525,000 warrants remain at December 31, 2013. These warrants are set to expire in April 2014.

NOTE R – STOCKHOLDERS' EQUITY/(DEFICIT)

Common Stock

In 2013, we issued 3,552,357 shares of common stock, valued at \$9,279,887, representing payment for principal and interest on our Initial Note and Additional Note as described in NOTE L.

During the three-month period ended December 31, 2013, we issued 1,725,000 shares of common stock to five accredited investors upon conversion of 1,725,000 outstanding warrants associated with the Series G Convertible Preferred Stock.

During the three-month period ended March 31, 2013, we issued 2,010,500 shares of common stock to accredited investors upon exercise of their outstanding warrants.

During 2012, we issued 1,441,013 shares of common stock, valued at \$4,262,528, representing payment for principal and interest on our Initial Note and Additional Note as described in NOTE L.

During the three-month period ended September 30, 2012, we issued 287,500 shares of common stock to four accredited investors upon exercise of 287,500 outstanding warrants. We also issued 140,000 shares of common stock for the conversion of 1 share of Series G Convertible Preferred Stock and 8,900 shares of common stock upon the exercise of stock options from the employee stock incentive plan.

Convertible Preferred Stock

We have 32,400 shares of Series D Convertible Preferred Stock issued and outstanding. Series D is convertible into common stock at a ratio of 1 to 1. The liquidation preference for Series D is \$3.50 per share of common stock into which the Series D could then be converted. There are no other rights attached to these convertible instruments.

Stock-Based Compensation

We have one active stock incentive plan, the 2005 Stock Incentive Plan. The 1997 Stock Incentive Plan expired on August 17, 2007. As of that date, options could no longer be granted from that Plan but any granted and unexercised options continued to exist until exercised or they expired. As of December 31, 2013 all outstanding options in the 1997 Stock Incentive Plan have expired. The 2005 Stock Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units and stock appreciation rights. We initially reserved 2,500,000 of our authorized but unissued shares of common stock for issuance under the Plan, and, at the time the Plan was adopted, not more than 500,000 of these shares could be used for restricted stock awards and restricted stock units. On January 16, 2008, the Board of Directors approved amendments to the Plan to add 2,500,000 shares of common stock to the Plan, to allow any number of shares to be used for restricted stock awards, to clarify certain other provisions in the Plan and to submit the amended Plan for stockholder approval. The amended Plan was approved at the annual meeting of stockholders on May 7, 2008. On June 3, 2010, the shareholders' approved an amendment to the 2005 Stock Incentive Plan which resulted in the

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addition of 3,000,000 shares of common stock to the Plan. Any incentive option and non-qualified option granted under the Plan must provide for an exercise price of not less than the fair market value of the underlying shares on the date of grant, but the exercise price of any incentive option granted to an officer, director or eligible employee owning more than 10% of our outstanding common stock must not be less than 110% of fair market value on the date of the grant.

Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest. As share-based compensation expense recognized in the statement of operations is based on awards ultimately expected to vest, it can be reduced for estimated forfeitures. The ASC topic Stock Compensation requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The share based compensation charged against income for the periods ended December 31, 2013, 2012 and 2011 was \$2,582,009, \$1,657,800 and \$1,796,628, respectively.

The weighted average estimated fair value of stock options granted during the fiscal years ended December 31, 2013, 2012 and 2011 were \$1.42, \$1.45 and \$2.74, respectively. These amounts were determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the life of the option. The assumptions used in the Black-Scholes model were as follows for stock options granted in the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
Risk-free interest rate	.41-1.28%	.39-.67%	1.51-1.89%
Expected volatility of common stock	59.2-68.2%	65.3-71.6%	69.0-70.0%
Dividend yield	0%	0%	0%
Expected life of options	3.0-4.1 years	3.0-4.1 years	3.0-4.1 years

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. Our options do not have the characteristics of traded options; therefore, the option valuation models do not necessarily provide a reliable measure of the fair value of our options.

Additional information with respect to both plans stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	3,537,236	\$ 3.78
Granted	633,835	\$ 2.74
Exercised	—	\$ —
Cancelled	(771,666)	\$ 3.50
Outstanding at December 31, 2011	3,399,405	\$ 3.78
Granted	771,969	\$ 2.85
Exercised	(15,150)	\$ 2.61
Cancelled	(736,070)	\$ 4.42
Outstanding at December 31, 2012	3,420,154	\$ 3.31
Granted	1,233,822	\$ 2.99
Exercised	(204,500)	\$ 2.24
Cancelled	(1,453,600)	\$ 3.61
Outstanding at December 31, 2013	<u>2,995,876</u>	\$ 3.31
Options exercisable at December 31, 2011	<u>2,926,930</u>	\$ 3.79
Options exercisable at December 31, 2012	<u>2,754,227</u>	\$ 3.44
Options exercisable at December 31, 2013	<u>2,118,903</u>	\$ 2.94

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The aggregate intrinsic values of options exercisable for the fiscal years ended December 31, 2013, 2012 and 2011 were \$16,450, \$371,142 and \$133,750, respectively. The aggregate intrinsic values of options outstanding for the fiscal years ended December 31, 2013, 2012 and 2011 were \$16,450, \$524,500 and \$169,500, respectively. The aggregate intrinsic values of options exercised during the fiscal years ended December 31, 2013, 2012 and 2011 are \$183,000, \$14,475 and \$0, respectively, determined as of the date of the option exercise. Aggregate intrinsic value represents the positive difference between our closing stock price at the end of a respective period and the exercise price multiplied by the number of relative options. The total fair value of shares vested during the fiscal years ended December 31, 2013, 2012 and 2011 was \$1,498,040, \$832,177 and \$1,145,112, respectively.

As of December 31, 2013, there was \$1,203,599 of total unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the option plans. That cost is expected to be recognized over a weighted-average period of 1.83 years.

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

Stock Options Outstanding

<u>Range of Exercise Prices</u>	<u>Number of Shares Outstanding</u>	<u>Weighted Average Remaining Contractual Life in Years</u>	<u>Weighted Average Exercise Price</u>
\$1.74 – \$2.74	1,344,554	2.5	\$ 2.69
\$2.89 – \$4.00	1,651,322	3.33	\$ 3.13
	<u>2,995,876</u>	<u>2.94</u>	<u>\$ 2.93</u>

The estimated fair value of each restricted stock award is calculated using the share price at the date of the grant. A summary of the status of the restricted stock awards as of December 31, 2013 and changes during the year ended December 31, 2013 is presented as follows:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested at December 31, 2012	178,807	\$ 2.73
Granted	411,383	\$ 2.89
Vested	(402,065)	\$ 2.81
Cancelled	—	\$ —
Unvested at December 31, 2013	<u>188,125</u>	<u>\$ 2.89</u>

The fair value of restricted stock awards vested during the years ended December 31 2013, 2012 and 2011 was \$854,861, \$1,286,257 and \$1,329,573, respectively. The fair value of unvested restricted stock awards remaining at the periods ended December 31, 2013, 2012 and 2011 is \$380,013, \$514,964 and \$300,139, respectively. The weighted-average grant date fair value of restricted stock awards granted during the periods ended December 31, 2013, 2012 and 2011 were \$2.89, \$3.91 and \$2.67, respectively. The weighted-average remaining contractual term of these restricted stock awards at the periods ended December 31, 2013, 2012 and 2011 are 1.2, 1.0 and 1.0 years, respectively. As of December 31, 2013, there was a total of \$525,401 unrecognized compensation cost related to unvested restricted stock awards.

The following table summarizes our common stock warrants outstanding at December 31, 2013:

<u>Common Stock Warrants</u>	<u>Exercise Price</u>	<u>Termination Date</u>
525,000	\$2.44	4/13/2014
1,562,500	\$3.60	11/9/2016
<u>2,087,500</u>		

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NOTE 5 – INCOME TAXES

As of December 31, 2013, we had consolidated income tax net operating loss (“NOL”) carryforwards for federal income tax purposes of approximately \$108,547,933. The federal NOL carryforwards from 1998 forward will expire in various years beginning in 2018 and ending through the year 2032. For 2013, approximately \$24,724,748 of federal NOLs from the years 1998 – 2005 will be fully utilized. From 2023 through 2028, approximately \$43 million of the NOL will expire, and from 2029 through 2032, approximately \$65 million of the NOL will expire.

The components of the provision for income taxes (benefits) are attributable to continuing operations as follows:

	12 Month Period Ended	12 Month Period Ended	12 Month Period Ended
	December 31,	December 31,	December 31,
	2013	2012	2011
Current			
Federal	\$ 481,055	\$ —	\$ —
State	15,000	—	—
Foreign	—	—	—
	<u>\$ 496,055</u>	<u>\$ —</u>	<u>\$ —</u>
Deferred			
Federal	\$ —	\$ —	\$ —
State	—	—	—
Foreign	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred tax assets and liabilities are as follows:

Deferred tax assets:	
Net operating loss and tax credit carryforwards	\$ 42,412,630
Capital loss carryforward	385,188
Accrued expenses	62,672
Deferred revenue	644,367
Reserve for accounts receivable	2,048,105
Reserve for inventory return	130,012
Stock option and restricted stock awards	907,476
Start-up costs	107,154
Excess of book over tax depreciation	1,428,417
Investment – unconsolidated entity	3,687,310
Less: valuation allowance	<u>(51,625,159)</u>
	188,172
Deferred tax liability:	
Prepaid expenses	118,860
Property and equipment basis	<u>69,312</u>
	188,172
Net deferred tax asset	<u>\$ —</u>

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As reflected above, we have recorded a net deferred tax asset of \$0 at December 31, 2013. As required by the Accounting for Income Taxes topic in the ASC, we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery and rights of ownership or salvage rights of high value shipwrecks or substantial profits from our mining operations and thus a valuation allowance has been recorded as of December 31, 2013.

The change in the valuation allowance is as follow:

December 31, 2013	\$51,625,159	December 31, 2012	\$57,901,529
December 31, 2012	\$57,901,528	December 31, 2011	\$52,515,797
Change in valuation allowance	<u>\$ (6,276,369)</u>	Change in valuation allowance	<u>\$ 5,385,732</u>

Income taxes for the twelve month periods ended December 31, 2013, 2012 and 2011 differ from the amounts computed by applying the effective income tax rate of 34.0% to income taxes as a result of the following:

	12 Month Period Ended December 31, 2013	12 Month Period Ended December 31, 2012	12 Month Period Ended December 31, 2011
Expected benefit	\$(3,483,374)	\$(6,180,388)	\$(5,516,605)
Effects of:			
State income taxes net of federal benefits	(176,839)	(181,423)	(205,521)
U.S. Income Tax Expense at the 20% AMT Rate	509,495	—	—
Nondeductible expenses	31,640	17,994	17,657
Stock options and restricted stock awards	790,011	223,720	833,749
Derivatives	(783,994)	322,848	(1,693,247)
Change in valuation allowance	(6,276,369)	5,385,732	6,531,871
Change in net operating loss	0	832,408	3,564
CFC Dividend Income	9,190,723	(374,051)	—
Change in rate estimate	15,767	(42,925)	23,798
Foreign Rate Differential	662,745	—	—
Other, net	16,250	(3,914)	4,734
Income tax provision (benefit)	<u>\$ 496,055</u>	<u>\$ —</u>	<u>\$ —</u>

During the twelve-month periods ended December 31, 2013 and 2012, we recognized certain tax benefits and (liabilities), prior to any valuation allowances, related to stock option plans in the amount of \$216,675 and \$230,721, respectively. If we did not have a full valuation allowance, such benefits would be recorded as an increase in the deferred tax asset and an increase in additional paid-in capital.

We have not recognized a material adjustment in the liability for unrecognized tax benefits and do not need to record any provision for accrued interest and penalties related to uncertain tax positions.

The earliest tax year still subject to examination by a major taxing jurisdiction is 2010.

We are currently in the process of seeking a private letter ruling request with the Internal Revenue Service which will grant us relief to make a late election to carryback our 2008 federal NOL either three, four, or five taxable years preceding the taxable year of the applicable NOL, in lieu of the general two-year carryback period. We would carryback the NOL five years to the 2003 tax year. There would be no cash-tax benefit of the carryback as we had a taxable loss during the 2003 tax year. The benefit of making the 5 year carryback election is that the 2008 NOL will now be able to offset 100 percent of future alternative minimum taxable income instead of only offsetting 90 percent. If the Internal Revenue Service grants us relief we will reverse the AMT tax provision in the quarter relief is granted as we will be able to fully offset alternative minimum taxable income instead of only 90 percent.

NOTE T – MAJOR CUSTOMERS

During the fiscal year ended December 31, 2013, we had one customer who accounted for 87.2% of our total revenue. For the fiscal year ended December 31, 2012, we had three customers who accounted for 30.3%, 28.5% and 28.8% of our total revenue.

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NOTE U – COMMITMENTS AND CONTINGENCIES

Rights to Future Revenues, If Any

We have sold the rights to share in future revenues, if any, with respect to the “*Seattle*” (formerly “*Republic*”) and “HMS *Sussex*” (formerly “*Cambridge*”) projects and have recorded \$887,500 as Deferred Income from Revenue Participation Rights (See NOTE P). We are contingently liable to share the future revenue of these projects only if revenue is derived from these specific projects.

To date, the only income derived from these projects resulted in a one-time revenue distribution payment of \$12,986 to the holders of the “*Cambridge*” RPC’s.

Revenue from the SS *Republic* shipwreck or its cargo is not subject to revenue sharing.

In addition, on May 26, 1998, we signed an agreement with a subcontractor that entitled it to receive 5% of the post finance cost proceeds from any shipwrecks in a predefined search area of the Mediterranean Sea. A shipwreck we have found, which we believe to be HMS *Sussex*, is located within the specified search area and we will be responsible to share future revenues, if any, from this shipwreck. On December 9, 2002, a Georgia limited liability company acquired the 5% interest from the subcontractor through a foreclosure sale (see NOTE O).

In February 2011, we entered into a project syndication deal with Galt Resources LLC (“Galt”) for which they invested \$7,512,500 representing rights to future revenues of any project of Galt’s choosing. See NOTE P for further detail.

Legal Proceedings

On April 16, 2012, the Kingdom of Spain filed a motion with the district court for an award of attorney’s fees and costs related to the “*Black Swan*” case claiming in excess of \$3,000,000. On November 15, 2012, the Magistrate Judge entered a Report and Recommendation recommending Spain recover fees and costs, but only those incurred after dismissal of the case from February 10, 2012 to March 20, 2012, related to the transfer of artifacts held in Gibraltar. This amounted to approximately \$130,000 of which the full amount was reserved in 2012. Failing to adopt the Report and Recommendation, on September 26, 2013 the District Court Judge entered an Order assessing \$1,072,979 related to attorney’s fees. Payment was made on October 11, 2013, and a Satisfaction of Judgment was executed and filed on October 21, 2013. The difference between the \$1,072,979 and \$130,000 of \$942,979 was expensed in entirety in the Marketing, general and administrative line of our Consolidated Statement of Income.

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Management currently believes that these claims and suits will not have a material adverse impact on its financial position or its results of operations.

Other Commitments and Contingencies

We currently charter our exploration vessel, the *Dorado Discovery*. The charter for this vessel is set to expire on April 30, 2014. The vessel’s owner has agreed to extend the charter for four additional years. Years one and two will be at £8,400 sterling per day (approximately \$14,000 USD) and years three and four will be at £8,960 sterling (approximately \$14,900 USD) per day.

Trends and Uncertainties

Our 2014 business plan requires us to generate new cash inflows during 2014 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of shipwreck cargo or our equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned shipwreck or mining project monetizations, financings, syndications or partnership opportunities may not be realized which may require us to curtail our desired business plan until we generate additional cash. We currently have no commitments for new debt or issuance of new equity and we can offer no assurance any of our planned projects will be successful in providing additional cash during 2014. We have experienced several years of net losses. Our capacity to generate net income in future periods is dependent upon our success in recovering and monetizing shipwrecks, monetizing our interests in mineral exploration entities, generating income from shipwreck or mineral exploration charters or generating income from other projects. In 2014, we will seek to monetize some of our stake in our mineral exploration shareholdings, recover and monetize cargo from the SS *Central America*, and generate cash inflows from other projects and opportunities. If cash inflow is not sufficient to meet our desired projected business plan requirements, we will be required to follow our contingency business plan which is based on curtailed expenses and requires less new cash inflows. While we have been successful in generating cash inflows and raising the necessary funds in the past, there can be no assurance that we can continue to do so in 2014.

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NOTE V – QUARTERLY FINANCIAL DATA – UNAUDITED

The following tables present certain unaudited consolidated quarterly financial information for each of the past eight quarters ended December 31, 2013 and 2012. This quarterly information has been prepared on the same basis as the Consolidated Financial Statements and includes all adjustments necessary to state fairly the information for the periods presented.

Fiscal Year Ended December 31, 2013 Quarter Ending

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Revenue—net	\$ 863,072	\$ 253,745	\$ 5,554,460	\$17,242,672
Gross profit	717,371	158,661	5,384,887	16,958,243
Net income (loss)	(9,665,379)	(10,895,976)	(931,393)	10,751,476
Basic and diluted net income per share	\$ (0.12)	\$ (0.14)	\$ (0.01)	\$ 0.13

Fiscal Year Ended December 31, 2012 Quarter Ending

	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Revenue—net	\$ 2,899,752	\$ 1,426,631	\$ 946,097	\$ 7,925,035
Gross profit	2,865,563	1,336,739	891,860	7,867,816
Net income (loss)	(5,481,799)	(15,590,350)	3,802,983	(914,947)
Basic and diluted net income per share	\$ (0.08)	\$ (0.21)	\$ 0.05	\$ (0.01)

NOTE W – GAIN ON SILVER FIXED PRICE SWAP

During the three-month period ended September 30, 2013, we entered into two fixed price swap hedge contracts to mitigate the exposure risk related to silver price volatility. We entered into these contracts specifically related to the time period the recovered silver from the *Gairsoppa* project was sold into the London bullion market during the later of 2013. The price per silver troy ounce was reaching a period high when we entered into the contracts as compared to when the silver was recovered in mid-July. The first contract was for 250,000 troy ounces of silver and covered the period from October 1 to October 31, 2013. The fixed price was \$24.40 per troy ounce. The second contract was for 250,000 troy ounces of silver and covered the period from November 1 to November 30, 2013. The fixed price on the second contract was \$23.10 per troy ounce. There are no active contracts as of December 31, 2013. If the average silver price was less than the fixed price, we would receive the difference multiplied by the 250,000 troy ounces. If the average silver price was greater than the fixed price, we would owe the difference multiplied by the 250,000 troy ounces. During the three-month period ended December 31, 2013, we realized a combined gain of \$1,206,350 on these contracts.

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SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS
For the Fiscal Years of 2011, 2012 and 2013
ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

	<u>Balance at Beginning of Year</u>	<u>Charged (Credited) to Expenses</u>	<u>Charged (Credited) to Other Accounts</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Deferred recovery cost reserve					
2011	2,557,149	—	—	—	2,557,149
2012	2,557,149	—	—	2,557,149	—
2013	—	—	—	—	—
Inventory reserve					
2011	479,459	—	—	87,256	392,203
2012	392,203	—	—	24,645	367,558
2013	367,558	3,774	—	—	371,332
Accounts receivable reserve					
2011	8,494,672	—	—	2,104,079	6,390,593
2012	6,390,593	—	—	1,570,000	4,820,593
2013	4,820,593	500,000	—	189,000	5,131,593

EXHIBITS INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1	Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-KSB for the year ended February 28, 2001)
3.2	Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K dated February 28, 2006)
3.3	Certificate of Designation of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K dated March 13, 2006)
3.4	Certificate of Amendment to Certificate of Designation of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K dated January 22, 2007)
3.5	Certificate of Amendment filed with the Nevada Secretary of State on June 6, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed June 7, 2011)
4.1	Form of Warrant to Purchase Common Stock—Modification to Series G Convertible Preferred Stock (incorporated by reference to Exhibit 99.2 to the Company's Report on Form 8-K dated April 20, 2011)
4.2	Reference is hereby made to Exhibit 10.19
10.2	Partnering Agreement Memorandum Concerning the Shipwreck of HMS Sussex, dated September 27, 2002 (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-QSB For the quarter ended August 31, 2002)
10.3*	2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Report on Form 8-K dated August 3, 2005)
10.4	Revolving Credit Loan and Security Agreement with Fifth Third Bank dated February 7, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated February 8, 2008)
10.5	Revolving Credit Note with Fifth Third Bank dated February 7, 2008 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated February 8, 2008)
10.6	Loan Agreement with Fifth Third Bank dated July 11, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated July 17, 2008)
10.7	Commercial Promissory Note with Fifth Third Bank dated July 11, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated July 17, 2008)
10.8	Mortgage and Security Agreement with Fifth Third Bank dated July 11, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated July 17, 2008)
10.9	First Amendment to Revolving Credit Loan and Security Agreement with Fifth Third Bank dated April 20, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated April 26, 2010)
10.10	Renewal to Revolving Credit with Fifth Third Bank dated April 20, 2010 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated April 26, 2010)
10.11	Shipwreck Project Agreement with Gault Resources LLC dated February 11, 2011 (incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K For the year ended December 31, 2010)
10.12	Second Amendment to Revolving Credit Loan and Security Agreement dated May 4, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.13	Amendment to Real Estate Loan Agreement dated May 4, 2011 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011)
10.14	Securities Purchase Agreement dated November 8, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed November 9, 2011)
10.15	Form of Senior Convertible Note (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed November 9, 2011)
10.16	Warrant to Purchase Common Stock dated November 8, 2011 (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K filed November 9, 2011)
10.17	Registration Rights Agreement dated November 8, 2011 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K filed November 9, 2011)

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10.18	Third Amendment to the Loan and Security Agreement with Fifth Third Bank dated March 30, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated April 5, 2012)
10.19	Renewal, Advance and Consolidation Commercial Term Promissory Note dated March 30, 2012 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated April 5, 2012)
10.20	Amendment Agreement dated April 25, 2012, to the Securities Purchase Agreement dated November 8, 2011 (incorporated by reference to Exhibit 10.5 to the Company's Report on Form 8-K dated April 26, 2012)
10.21	Form of Additional Note dated April 25, 2012 (incorporated by reference to Exhibit 10.6 to the Company's Report on Form 8-K dated April 26, 2012)
10.22	Additional Note dated May 10, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated May 10, 2012)
10.26	Fourth Amendment to the Loan and Security Agreement with Fifth Third Bank dated July 11, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated July 17, 2013)
10.27	Renewal Commercial Term Promissory Note dated July 11, 2013 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated July 17, 2013)
10.28	Renewal Commercial Promissory Note (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K dated July 17, 2013)
10.29	Second Amendment to Loan Agreement with Fifth Third Bank dated July 11, 2013 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K dated July 17, 2013)
10.30	Mortgage and Note Modification Agreement with Fifth Third Bank dated July 11, 2013 (incorporated by reference to Exhibit 10.5 to the Company's Report on Form 8-K dated July 17, 2013)
10.31	Loan Agreement dated July 24, 2013, with Fifth Third Bank (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated July 30, 2013)
10.32	Non-Revolving Line Of Credit Promissory Note (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated July 30, 2013)
10.33	Securities Purchase and Option Agreement dated July 12, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on form 10-Q for the quarter ended June 30, 2013)
10.34	First Amendment to Unit Option Agreement dated December 30, 2013
10.35	Third Amendment to Unit Option Agreement dated December 30, 2013
21.1	Subsidiaries of the Registrant
23.1	Consent of Ferlita, Walsh, Gonzalez & Rodriguez, P.A., Independent Accountants (filed herewith electronically)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith electronically)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith electronically)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith electronically)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith electronically)
101	XBRL Interactive Data File

FIRST AMENDMENT TO UNIT OPTION AGREEMENT

THIS FIRST AMENDMENT TO UNIT OPTION AGREEMENT (this “Amendment”) is made and entered into effective as of December 30, 2013, by and between **ODYSSEY MARINE ENTERPRISES, LTD.**, a Bahamas domestic limited company (the “Seller”), and **MAKO RESOURCES, LLC**, a Delaware limited liability company (the “Holder”).

Background Information:

All capitalized terms used but not otherwise defined in this Amendment shall have the respective meanings ascribed to such terms in the Unit Option Agreement dated February 28, 2013 (the “Agreement”), that was issued by the Seller to Mako Resources, LLC, a Delaware limited liability company (“Mako”). The Option is exercisable to purchase up to five million (5,000,000) Option Units, on the terms and subject to the conditions set forth therein. The Seller and the Holder have agreed to enter into this Amendment to reduce to writing their mutual understandings and agreements with respect to the modification of the terms of the Option, on the terms and subject to the conditions set forth in this Amendment. The Holder also holds a Unit Option Agreement dated February 21, 2013 (as amended, the “Other Agreement”). The Other Agreement was initially exercisable to purchase up to ten million (10,000,000) Option Units, but, as a result of previous exercises, as of the date of this Amendment, the Other Agreement is exercisable to purchase up to two million (2,000,000) Option Units, on the terms and subject to the conditions set forth therein.

Operative Terms:

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Holder hereby agree as follows:

A . Section 2 of the Agreement is hereby amended and restated to read in its entirety as follows:

“2. Exercise of Option.

a. Expiration Date. Subject to the other obligations and limitations set forth in this Agreement, the Option may be exercised by the Holder for all or any part of the Option Units at any time and from time to time after the date of this Agreement and through and until 5:00 pm, Eastern Standard time, on December 31, 2013 (as subject to adjustment in accordance with this Section 2, the “Expiration Date”). Notwithstanding the foregoing, if, and only if, the Holder fully satisfies the Holder’s obligation to exercise the Option (as used in the Other Agreement) to purchase at least the Minimum Exercise Amount (as defined in the Other Agreement) at any time and from time to time on or before 5:00 pm, Eastern Standard time, on December 31, 2013, then the term “Expiration Date,” as used in this Agreement, means the earlier of (i) December 31, 2014, and (b) sixty (60) days after the date on which the Holder has been given written notice by the Seller that Exploraciones Oceanicas, S. de R.L. de C.V. (“ExO”) has received all governmental authorizations, licenses, and permits which are necessary to enable ExO to commence commercial mining operations in the Don Diego phosphate deposit.

b. Grant of Proxy Rights. The Holder hereby nominates, constitutes, and appoints the executive officers of Odyssey Marine Exploration, Inc. (“OMEX”) and the individuals who hold such offices from time to time, and each of them, as the Holder’s true and lawful attorneys-in-fact, to appear and act as the proxy for the Holder at any annual or special meeting of the voting members of the Company, and at any and all adjournment or

adjournments thereof, and to vote or execute consents, in accordance with his or their best judgment, all of the Option Units, of which the Holder may be entitled to vote. The Holder's attorneys-in-fact may do all things with respect to the Option Units that the Holder could do if personally present, with full power of substitution and revocation. The proxy rights and power of attorney granted pursuant to this Section 2.b. (i) shall be effective upon issuance of the Option Units and shall terminate for all purposes on the Proxy Termination Date (as defined below) and (ii) are coupled with an interest and therefore irrevocable. The Holder hereby revokes all other proxies and powers of attorney with respect to the Option Units that it may have heretofore appointed or granted, and no subsequent proxy or power of attorney shall be granted. As used in this Agreement, the term Proxy Termination Date means the *earlier* of (i) the third anniversary of the date or dates on which the Option Units are issued upon exercise of the Option, or (ii) as applicable, (A) the date on which a Change in Control (as defined in Section 2.c.ii. below) of OMEX has occurred or (B) the six-month anniversary of the date on which a Change in Control of the Company has occurred. At the request of the Seller, any and all certificates representing any issued Option Units shall bear a legend reasonably describing the voting rights granted pursuant to this Section 2.b.

c. As used in this Agreement:

- i. “Beneficial Owner” has the meaning set forth in Rule 13d-3 under the Exchange Act.
- ii. “Change in Control” means, with respect to OMEX or the Company (as applicable, the “Covered Entity”), that:
 - (A) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Covered Entity (not including in the securities beneficially owned by such Person any securities acquired directly from the Covered Entity) representing fifty percent (50.0%) or more of the combined voting power of the Covered Entity's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (C) below; or
 - (B) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the board of directors of the Covered Entity and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest), whose appointment or election by the board of directors was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or
 - (C) there is consummated a merger or consolidation of the Covered Entity with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Covered Entity outstanding immediately

-
- prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) fifty percent (50.0%) or more of the combined voting power of the securities of the Covered Entity or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (2) a merger or consolidation effected to implement a recapitalization of the Covered Entity (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Covered Entity (not including in the securities beneficially owned by such Person any securities acquired directly from the Covered Entity) representing fifty percent (50.0%) or more of the combined voting power of the Covered Entity's then outstanding securities; or
- (D) the stockholders (or other comparable holders) of the Covered Entity approve a plan of complete liquidation or dissolution of the Covered Entity or there is consummated an agreement for the sale or disposition of the Covered Entity of all or substantially all of the Covered Entity's assets, other than a sale or disposition by the Covered Entity of all or substantially all of the Covered Entity's assets to an entity, at least fifty percent (50.0%) of the combined voting power of the voting securities of which are owned by stockholders (or other comparable holders) of the Covered Entity in substantially the same proportions as their ownership of the Covered Entity immediately prior to such date.
- iii. "Equity Securities" means any securities having the right to vote in the election of directors (or individuals holding a comparable person) of the Covered Entity, or any securities convertible into or exercisable for any shares of the foregoing.
- iv. "Exchange Act" means Securities Exchange Act of 1934, as amended from time to time.
- v. "Person" has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14 (d) thereof, except that such term shall not include (a) the Covered Entity or any of its subsidiaries; (b) a trustee or other fiduciary holding securities under an employee benefit plan of the Covered Entity or any of its "affiliates" within the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; (c) an underwriter temporarily holding securities pursuant to an offering of such securities; or (d) a corporation owned, directly or indirectly, by the stockholders (or comparable equity holders) of the Covered Entity in substantially the same proportions as their ownership of stock of the Covered Entity."

B . Section 5 of the Agreement is hereby amended by adding the following immediately after Section 5.c.:

“d. Monthly Increases. Commencing on February 1, 2014, and continuing on the first day of each month thereafter, the Exercise Price shall increase by \$0.08 per Option Unit (the “Monthly Adjustment Amount”), with the Monthly Adjustment Amount being subject to further adjustment in accordance with the other provisions of this Agreement.”

C . Section 7 of the Agreement is hereby amended and restated to read in its entirety as follows:

“7. Mandatory Exercise Upon Certain Events. If (a) the Company determines to undertake, authorizes or approves, or enters into any agreement contemplating or solicits partner approval for (i) a Fundamental Transaction or (ii) a Qualified Financing (as defined below) and (b) the Holder’s exercise of the Option is expressly required by, or is a condition precedent to, the consummation of a Fundamental Transaction or a Qualified Financing, then the Seller shall deliver to the Holder a notice (a “Mandatory Exercise Notice”) describing the material terms and conditions of such Fundamental Transaction or Qualified Financing, at least ten (10) Business Days prior to the applicable record or effective date on which a person would need to hold quotas in order to participate in or vote with respect to such Fundamental Transaction or Qualified Financing, and the Holder shall thereafter exercise the Option for all the Option Units for which the Option can then be exercised and otherwise in accordance with the terms of this Agreement; *provided, however*, that it is understood and agreed that (x) the Holder may condition any exercise of the Option pursuant to this Section 7 on the consummation of such Fundamental Transaction or Qualified Financing within sixty (60) days of the Holder’s receipt of the Mandatory Exercise Notice, and (y) the Holder may elect to effect such exercise through a Cashless Exercise (in which case, in the event of a Qualified Financing, the formula in Section 3 hereof shall also apply to Qualified Financings, and “B” in Section 3 hereof shall be the implied value per quota of the Company in the Qualified Financing). As used in this Agreement, the term “Qualified Financing” means a sale for cash of the Company’s quotas, or securities convertible into or exercisable for quotas (as applicable, “Company Equity Securities”) in a single transaction or series of related transactions where (x) the implied valuation of the Company, without applying any discount for minority interest, lack of control, illiquidity, or other discount to any quotas in the Company, is not less than \$5.00 (USD) per quota (subject to adjustments for quota splits, reverse splits, or the like), and (y) the number of quotas issued, including on an as-converted or as-exercised basis, in the sale of Company Equity Securities represents, after giving effect to the transaction, not less than five percent (5.0%) of the Company’s issued and outstanding quotas on an as-converted or as-exercised basis.”

D . To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in the Agreement, the terms and provisions of this Amendment shall control. Except as amended hereby, the terms and provisions of the Agreement remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed.

E . This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

[Signatures on following page.]

IN WITNESS WHEREOF, this Amendment has been executed by the Seller and the Holder as of the date first set forth above.

SELLER:

O DYSSEY M ARINE E NTERPRISES , L TD .

By: \s\ Greg Stemm

Name: Greg Stemm

Title: President

HOLDER:

M AKO R ESOURCES , LLC

By: \s\ Josh Adam

Name: Josh Adam

Title: Managing Principal – Hornet Management

THIRD AMENDMENT TO UNIT OPTION AGREEMENT

THIS THIRD AMENDMENT TO UNIT OPTION AGREEMENT (this “Amendment”) is made and entered into effective as of December 30, 2013, by and between **ODYSSEY MARINE ENTERPRISES, LTD.**, a Bahamas domestic limited company (the “Seller”), and **MAKO RESOURCES, LLC**, a Delaware limited liability company (the “Holder”).

Background Information:

All capitalized terms used but not otherwise defined in this Amendment shall have the respective meanings ascribed to such terms in the Unit Option Agreement dated February 21, 2013 (as amended on May 13, 2013 and May 28, 2013, the “Agreement”), that was issued by the Seller to Mako Resources, LLC, a Delaware limited liability company (“Mako”). The Option was initially exercisable to purchase up to ten million (10,000,000) Option Units but has been previously exercised to purchase eight million (8,000,000) Option Units. As a result of the previous exercises, the Option is, as of the date of this Amendment, exercisable to purchase up to two million (2,000,000) Option Units, on the terms and subject to the conditions set forth therein. The Seller and the Holder have agreed to enter into this Amendment to reduce to writing their mutual understandings and agreements with respect to the modification of the terms of the Option, on the terms and subject to the conditions set forth in this Amendment.

Operative Terms:

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller and the Holder hereby agree as follows:

A . Section 2 of the Agreement is hereby amended and restated to read in its entirety as follows:

“2. Exercise of Option. Subject to the other obligations and limitations set forth in this Agreement, the Option may be exercised by the Holder for all or any part of the Option Units at any time and from time to time after the date of this Agreement and through and until 5:00 pm, Eastern Standard time, on December 31, 2013 (as subject to adjustment in accordance with Section 2.b. below, the “Expiration Date”). Notwithstanding the foregoing:

a. Mandatory Early Exercise. The Holder *shall* exercise the Option to purchase at least one million (1,000,000) Option Units (the “Minimum Exercise Amount”) for which the Option is exercisable at any time and from time to time after the date of this Agreement and through and until 5:00 pm, Eastern Standard time, on December 31, 2013. In connection with any exercise of the Option pursuant to this Section 2, the Holder shall deliver payment of the aggregate Exercise Price in cash by wire transfer or other immediately available funds to an account previously designated by the Seller, it being understood and agreed that any Cashless Exercise shall be deemed not to satisfy the Holder’s obligations under this Section 2 in whole or in part. The aggregate Exercise Price shall be delivered to the Seller as soon as reasonably practicable, but no more than two business days after, the date of the Option Closing. The number of Option Units, if any, that may be purchased by the Holder *after* the Holder has fulfilled his obligations pursuant to this Section 2.a. is hereinafter referred to as the “Remaining Amount,” and such Options Units are hereinafter referred to as the “Remaining Units.”

b. Extension of Expiration Date. If, and only if, the Holder has satisfied the Holder's obligation to purchase at least the Minimum Exercise Amount pursuant to Section 2.a., then the term "Expiration Date," as used in this Agreement with respect to the Remaining Units, means the earlier of (i) December 31, 2014, and (b) sixty (60) days after the date on which the Holder has been given written notice by the Seller that Exploraciones Oceanicas, S. de R.L. de C.V. ("ExO") has received governmental authorizations, licenses, and permits which are necessary to enable ExO to commence commercial mining operations in the Don Diego phosphate deposit (the "Approval Date").

c. Grant of Proxy Rights. The Holder hereby nominates, constitutes, and appoints the executive officers of Odyssey Marine Exploration, Inc. ("OMEX") and the individuals who hold such offices from time to time, and each of them, as the Holder's true and lawful attorneys-in-fact, to appear and act as the proxy for the Holder at any annual or special meeting of the voting members of the Company, and at any and all adjournment or adjournments thereof, and to vote or execute consents, in accordance with his or their best judgment, all of the Remaining Units, of which the Holder may be entitled to vote. The Holder's attorneys-in-fact may do all things with respect to the Remaining Units that the Holder could do if personally present, with full power of substitution and revocation. The proxy rights granted pursuant to this Section 2.c. (i) shall be effective upon issuance of the Remaining Units and shall terminate for all purposes on the Proxy Termination Date (as defined below) and (ii) are coupled with an interest and therefore irrevocable. The Holder hereby revokes all other proxies and powers of attorney with respect to the Option Units that it may have heretofore appointed or granted, and no subsequent proxy or power of attorney shall be granted. As used in this Agreement, the term Proxy Termination Date means the earlier of (i) the third anniversary of the date or dates on which the Remaining Units are issued upon exercise of the Option, or (ii) as applicable, (A) the date on which a Change in Control (as defined in Section 2.d.ii. below) of OMEX has occurred or (B) the six-month anniversary of the date on which a Change in Control of the Company has occurred. At the request of the Seller, any and all certificates representing any issued Remaining Units shall bear a legend reasonably describing the voting rights granted pursuant to this Section 2.c.

d. As used in this Agreement:

- i. "Beneficial Owner" has the meaning set forth in Rule 13d-3 under the Exchange Act.
- ii. "Change in Control" means, with respect to OMEX or the Company (as applicable, the "Covered Entity"), that:
 - (A) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Covered Entity (not including in the securities beneficially owned by such Person any securities acquired directly from the Covered Entity) representing fifty percent (50.0%) or more of the combined voting power of the Covered Entity's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (C) below; or

-
- (B) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the board of directors of the Covered Entity and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest), whose appointment or election by the board of directors was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or
- (C) there is consummated a merger or consolidation of the Covered Entity with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Covered Entity outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) fifty percent (50.0%) or more of the combined voting power of the securities of the Covered Entity or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (2) a merger or consolidation effected to implement a recapitalization of the Covered Entity (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Covered Entity (not including in the securities beneficially owned by such Person any securities acquired directly from the Covered Entity) representing fifty percent (50.0%) or more of the combined voting power of the Covered Entity's then outstanding securities; or
- (D) the stockholders (or other comparable holders) of the Covered Entity approve a plan of complete liquidation or dissolution of the Covered Entity or there is consummated an agreement for the sale or disposition of the Covered Entity of all or substantially all of the Covered Entity's assets, other than a sale or disposition by the Covered Entity of all or substantially all of the Covered Entity's assets to an entity, at least fifty percent (50.0%) of the combined voting power of the voting securities of which are owned by stockholders (or other comparable holders) of the Covered Entity in substantially the same proportions as their ownership of the Covered Entity immediately prior to such date.
- iii. “Equity Securities” means any securities having the right to vote in the election of directors (or individuals holding a comparable person) of the Covered Entity, or any securities convertible into or exercisable for any shares of the foregoing.
- iv. “Exchange Act” means Securities Exchange Act of 1934, as amended from time to time.

- v. “Person” has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (a) the Covered Entity or any of its subsidiaries; (b) a trustee or other fiduciary holding securities under an employee benefit plan of the Covered Entity or any of its “affiliates” within the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; (c) an underwriter temporarily holding securities pursuant to an offering of such securities; or (d) a corporation owned, directly or indirectly, by the stockholders (or comparable equity holders) of the Covered Entity in substantially the same proportions as their ownership of the Covered Entity.”

B . Section 5 of the Agreement is hereby amended by adding the following immediately after Section 5.c.:

“d. Monthly Increases. With respect to any Remaining Units, commencing on February 1, 2014, and continuing on the first day of each month thereafter, the Exercise Price shall increase by \$0.08 per Option Unit (the “Monthly Adjustment Amount”), with the Monthly Adjustment Amount being subject to further adjustment in accordance with the other provisions of this Agreement.”

C. Section 7 of the Agreement is hereby amended and restated to read in its entirety as follows:

“7. Mandatory Exercise Upon Certain Events. If (a) the Company determines to undertake, authorizes or approves, or enters into any agreement contemplating or solicits partner approval for (i) a Fundamental Transaction or (ii) a Qualified Financing (as defined below) and (b) the Holder’s exercise of the Option is expressly required by, or is a condition precedent to, the consummation of a Fundamental Transaction or a Qualified Financing, then the Seller shall deliver to the Holder a notice (a “Mandatory Exercise Notice”) describing the material terms and conditions of such Fundamental Transaction or Qualified Financing, at least ten (10) Business Days prior to the applicable record or effective date on which a person would need to hold quotas in order to participate in or vote with respect to such Fundamental Transaction or Qualified Financing, and the Holder shall thereafter exercise the Option for all the Option Units for which the Option can then be exercised and otherwise in accordance with the terms of this Agreement; *provided, however*, that it is understood and agreed that (x) the Holder may condition any exercise of the Option pursuant to this Section 7 on the consummation of such Fundamental Transaction or Qualified Financing within sixty (60) days of the Holder’s receipt of the Mandatory Exercise Notice, and (y) the Holder may elect to effect such exercise through a Cashless Exercise (in which case, in the event of a Qualified Financing, the formula in Section 3 hereof shall also apply to Qualified Financings, and “B” in Section 3 hereof shall be the implied value per quota of the Company in the Qualified Financing). As used in this Agreement, the term “Qualified Financing” means a sale for cash of the Company’s quotas, or securities convertible into or exercisable for quotas (as applicable, “Company Equity Securities”) in a single transaction or series of related transactions where (x) the implied valuation of the Company, without applying any discount for minority interest, lack of control, illiquidity, or other discount to any quotas in the Company, is not less than \$5.00 (USD) per quota (subject to adjustments for quota splits, reverse splits, or the like), and (y) the number of quotas issued, including on an as-converted or as-exercised basis, in the sale of Company Equity Securities represents, after giving effect to the transaction, not less than five percent (5.0%) of the Company’s issued and outstanding quotas on an as-converted or as-exercised basis.”

D . To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in the Agreement, the terms and provisions of this Amendment shall control. Except as amended hereby, the terms and provisions of the Agreement remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed.

E . This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

[Signature page follows.]

IN WITNESS WHEREOF, this Amendment has been executed by the Seller and the Holder as of the date first set forth above.

SELLER:

O DYSSEY M ARINE E NTERPRISES , L TD .

By: \s\ Greg Stemm

Name: Greg Stemm

Title: President

HOLDER:

M AKO R ESOURCES , LLC

By: \s\ Josh Adam

Name: Josh Adam

Title: Managing Principal – Hornet Management

Subsidiaries of the Registrant

<u>Subsidiary(1)</u>	<u>Jurisdiction of Incorporation or Organization</u>
Odyssey Marine, Inc.	Florida
Odyssey Marine Services, Inc.	Nevada
OVH, Inc.	Nevada
Odyssey Retriever, Inc.	Nevada
Marine Exploration Holding, Llc.	Nevada
Odyssey Marine Entertainment, Inc.	Nevada
Odyssey Marine Management, Ltd.	Bahamas
Oceania Marine Operations S.R.L.	Panama
Odyssey Marine Enterprises, Ltd.	Bahamas
Oceanica Resources, S. de. R.L.(2)	Panama
Exploraciones Oceanicos, S. de R.L. De C.V.(3)	Mexico

(1) Except as otherwise indicated, the Registrant directly or indirectly holds all of the outstanding equity interests of each subsidiary.

(2) The Registrant holds an indirect [54.10%] interest in this company.

(3) The Registrant holds an indirect [54.09%] interest in this company.



Ferlita, Walsh, Gonzalez & Rodriguez, P.A.

Certified Public Accountants

VINCENT E. WALSH, CPA
FROMENT JOHN GONZALEZ, ILL, CPA
DON F. RODRIGUEZ, CPA, CVA
SAM S. FERLITA, CPA, CVA

Members:
American Institute of Certified
Public Accountants
•
Florida Institute of Certified
Public Accountants
•
Registered with Public
Companies Accounting
Standards Board

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3, SEC File No. 333-162971, and on Form S-8, SEC File Nos. 333-168611, 333-50325, 333-76038, 333-50343, incorporates by reference 333-134631 and 333-166130 of Odyssey Marine Exploration, Inc. and subsidiaries of our reports dated March 7, 2014, on the financial statements and internal control over financial reporting of Odyssey Marine Exploration, Inc. and subsidiaries, which reports appearing in this Annual Report on Form 10-K for the year ended December 31, 2013.

Ferlita, Walsh, Gonzalez & Rodriguez, P.A.

FERLITA, WALSH, GONZALEZ & RODRIGUEZ, P.A.
Certified Public Accountants
Tampa, Florida

March 7, 2014

3302 Azeele St. • Tampa, FL 33609
(813) 877-9609 • Fax: (813) 875-4477
www.fwgcpas.com

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory P. Stemm, certify that:

1. I have reviewed this annual report on Form 10-K of Odyssey Marine Exploration, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2014

/s/ Gregory P. Stemm

Gregory P. Stemm
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Philip S. Devine, certify that:

1. I have reviewed this annual report on Form 10-K of Odyssey Marine Exploration, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 17, 2014

/s/ Philip S. Devine

Philip S. Devine

Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
ODYSSEY MARINE EXPLORATION, INC.
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I hereby certify that, to the best of my knowledge, the annual report on Form 10-K of Odyssey Marine Exploration, Inc. for the period ending December 31, 2013, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of Odyssey Marine Exploration, Inc.

/s/ Gregory P. Stemm

**Gregory P. Stemm
Chief Executive Officer**

March 17, 2014

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Odyssey Marine Exploration, Inc. and will be retained by Odyssey Marine Exploration, Inc. and furnished to the Securities and Exchange Commission upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
ODYSSEY MARINE EXPLORATION, INC.
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I hereby certify that, to the best of my knowledge, the annual report on Form 10-K of Odyssey Marine Exploration, Inc. for the period ending December 31, 2013, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of Odyssey Marine Exploration, Inc.

/s/ Philip S. Devine

Philip S. Devine
Chief Financial Officer

March 17, 2014

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Odyssey Marine Exploration, Inc. and will be retained by Odyssey Marine Exploration, Inc. and furnished to the Securities and Exchange Commission upon request.