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Odyssey Marine Exploration Reports Third Quarter 2013 Results

Commodity Shipwreck Program Sets Record for Deepest, Heaviest Precious Metal Recovery; Monetization Expected to Result in Significant Net Profit in Q4

TAMPA, Fla., Nov. 12, 2013 (GLOBE NEWSWIRE) -- Odyssey Marine Exploration, Inc. (Nasdaq:OMEX), a pioneer in the field of deep-ocean exploration, reported results for the third quarter ended September 30, 2013.

Q3 2013 Highlights

- Successfully completed recovery of 61 tons of silver bullion from the SS *Gairsoppa* shipwreck three miles deep, with monetization generating \$9 million in cash inflows in the third quarter with well in excess of \$20 million in additional cash inflows projected for the fourth quarter. The company's monetization of *Gairsoppa* silver is expected to drive significant net profit in the fourth quarter as compared to a small net loss in the third quarter.
- Implemented hedging and marketing strategies that are expected to result in \$5.3 million in incremental proceeds over the value of silver on the date the silver was landed (based on silver sold or hedged to date). As of November 8, 2013, 1.4 million ounces of silver has been sold or hedged at an average price of \$23.68 per ounce.
- Continued validation of the Oceanica Resources mineral deposit, with a resource assessment based on extensive coring and laboratory work indicating that the 50-year mining concession represents a world-class resource with significant commercial and strategic value. Coring sample assay results and preliminary sample beneficiation tests indicate the resource can be economically mined and processed. A draft technical report featuring a formal resource assessment is currently in process, and JP Morgan Chase is advising the company on options for development of the deposit and maximizing the value of this asset.
- Appointed Philip S. Devine as chief financial officer. Devine has served as CFO of a number of publicly-traded companies with operations in Europe and the United States. Earlier in his career, he was also a CPA with Deloitte & Touche and a Management Consultant with McKinsey & Company.
- Appointed Mark B. Justh to the board of directors. Justh is a long-time shareholder who brings more than 20 years of financial experience, including 12 years at JP Morgan where he was a managing director and head of Pan Asian Securities.
- Launched a website with Maritime Heritage Foundation featuring a virtual dive trail, publications about the HMS *Victory* site and a history of the project. These archaeological reports include the non-disturbance survey carried out in 2012 according to the project design. The website is available at www.Victory1744.org.
- Installed and/or tested new equipment on the *Dorado Discovery* including a custom-designed deep ocean drill with advanced coring, reverse circulation and vibro-coring capabilities for validating new seabed mineral deposits, and a multibeam sonar system which allows creation of detailed 3-D topographic maps of the seafloor, as well as analysis of geological features using advanced backscatter measurement tools.

Management Commentary

Mark Gordon, Odyssey's president and chief operating officer, commented: "Our company has never had better visibility on potential results from shipwreck cargo recovery operations than we do now. We can look three or more years into the future with confidence in our commodity recovery plans. We have locational data on the shipwrecks, our rights are secured under contract, and we do not foresee any regulatory or legal issues.

"We're targeting one or more commodity shipwreck cargo recoveries per year totaling at least \$50 million per year, and see this as a good opportunity to create a substantial flow of income generation for many years to come. With this year's completion of the huge silver recovery from the SS *Gairsoppa*, we have proven our capabilities to successfully locate and extract significant value from 20th-century commodity shipwrecks.

"More important, our success with the *Gairsoppa* demonstrates the technological feasibility and economic attractiveness of commodity shipwreck recovery business model; cash inflows from the *Gairsoppa* cargo monetization are on track to total

approximately \$80 million, while the search and recovery costs for the two-year recovery project totaled \$27 million. This year's recovery generated cash inflows of nearly \$9 million in the third quarter, and we expect well in excess of \$20 million in the current fourth quarter. The monetization of the *Gairsoppa* silver is expected to result in a significant net profit for the company in the fourth quarter.

"Our current commodity target list represents more than \$800 million in total potential recovery value. We are continually developing projects from this list in order to have a solid pipeline of opportunities ready for operations. The addition of the 6,000 meter ROV to our suite of tools gives us additional cost-effective search and inspection options for our deep-ocean 20th-century commodity projects. With our recent success in recovering more than 99% of the insured silver from the *Gairsoppa*, we are excited to expand this element of our business. We anticipate realizing significant cash generation on a regular basis from our commodity cargo recoveries for many years to come."

Subsea Mineral Mining Exploration Project Update

Odyssey continues to enhance its offshore mineral exploration capabilities. In preparation for its next series of mineral projects, Odyssey recently added significant technology upgrades to its mineral exploration vessel, *Dorado Discovery*. This includes a full suite of environmental testing equipment, a new deep-ocean seafloor drill system, and one of the world's most advanced multi-beam sonar systems combined with the ability to use backscatter technology to characterize and identify promising geological structures.

"Our new multi-beam sonar system allows us to create amazingly detailed 3-D topographic maps of the seafloor, as well as analysis of geological features using the advanced backscatter measurement tools," noted Gordon. "The addition of these capabilities has already garnered several serious inquiries from parties who have near-term project work requiring the unique capabilities we now possess. We've recently conducted sea trials with a new one-of-a-kind deep-ocean seafloor drill system which we believe will revolutionize prospecting for Seafloor Massive Sulfide deposits, thereby enabling us to dramatically advance the ability to assess the size and value of these deposits. The custom-designed deep ocean drill has multiple functionalities, including advanced coring, reverse circulation and vibro-coring capabilities for validating new seabed mineral deposits."

The company plans to soon put these new capabilities to work on a new series of survey and exploration projects in the South Pacific Ocean, with operations planned to commence early in 2014. Meanwhile, the company expects to release more information on the Oceanica project, which has been described as world-class, after completion of the analysis of the cores and the technical report featuring a formal resource assessment.

Odyssey has generated \$25 million in cash so far in 2013 from the sale of a minority equity stake in Oceanica to third-party investors, and the company has been working with JP Morgan Chase to optimize the financial potential of the mineral deposit.

Commodity Shipwreck Project Update

Gairsoppa: From September 2012 through January 2013, Odyssey monetized silver bullion recovered from the *Gairsoppa*. The company received more than \$41 million in proceeds from the sale of the 1,218 *Gairsoppa* silver bars recovered in 2012, with \$1.8 million of that received in the first quarter of 2013.

Odyssey began 2013 *Gairsoppa* operations on May 29, and on July 22, the company announced the recovery of an additional 1,574 silver ingots weighing about 1,100 ounces each or almost 1.8 million troy ounces in total. This recovery set a new world record for the deepest and largest precious metal recovery from a shipwreck. Analysis of the 1.8 million ounces of silver recovered from the *Gairsoppa* in 2013 has been completed and monetization began in September 2013.

As of November 8, Odyssey has monetized more than 1.1 million troy ounces of the silver recovered from the *Gairsoppa* shipwreck in July 2013 at an average price per ounce of \$23.27, for a gross total of \$26.2 million. In addition, one 250,000 ounce silver fixed price swap contract was closed out in October for a gain of \$0.6 million, and another similar contract at \$23.10 remains open for the month of November. At current market prices, the company estimates that the monetization and hedging program will generate total gross proceeds of approximately \$39 million from the 2013 recovery, in addition to approximately \$41 million generated in the prior year from the 2012 recovery.

The price of silver when the *Gairsoppa* silver was landed in the UK was \$19.53 per ounce. Through the implementation of hedging and marketing strategies, Odyssey has been able to derive an average sales price considerably higher than the market spot rate. On silver sold or hedged to date, an incremental \$5.3 million is expected to be generated over the value of the silver on the date the silver was landed.

The recovery from the *Gairsoppa* (2012 and 2013 operations) totaled 2,792 silver ingots, or more than 99% of the insured silver reported to be aboard the *Gairsoppa* when it sank. None of the indicated uninsured silver has been located yet. Odyssey has secured a salvage contract extension from the UK Department for Transport and intends to complete further work on the

site once recovery economics justify doing so.

Since completing the 2013 North Atlantic commodity recovery program, Odyssey has turned its sights on its extensive pipeline of 20th-century cargo recovery projects. Acquisition and mobilization of equipment and tooling required to commence the next series of contracted projects is now underway. These negotiated salvage contracts cover four separate 20th-century shipwrecks and award 90% of the recovered cargo value to Odyssey. Additional salvage contract proposals for other commodity shipwreck projects have been submitted.

The company has recently taken delivery of a 6,000 meter ROV system that will be used on these projects. Test dives are currently being carried out and the company expects to perform reconnaissance and salvage planning trips to one or more commodity shipwrecks in the first half of 2014. In parallel with the reconnaissance work, Odyssey is considering different options for securing a long-term charter for a more cost-effective recovery ship and system so that it is ready to commence full recovery operations in the second half of 2014. The company expects to perform one to two commodity recovery projects per year in the coming years with at least one recovery expedition in the second half of 2014.

Historic Shipwrecks

HMS Victory: Odyssey continues to cooperate with the Maritime Heritage Foundation and the UK Government on the project and is awaiting instructions from the Foundation to continue work on the site. Odyssey is the archaeological contractor of the Maritime Heritage Foundation, owner of the wreck site following a gift from the Ministry of Defence in January 2012.

The Maritime Heritage Foundation, with assistance from Odyssey and Wreck Watch International launched a website in September 2013 that includes a virtual dive trail featuring video of the *Victory* site, publications about the site, and a history of the project. The website is available at www.Victory1744.org. Three new reports have recently been added to the website which detail non-disturbance work done at the shipwreck site last year.

Other historic shipwrecks: Odyssey continues to expand its proprietary database of historic shipwrecks and to work with various governments on obtaining the rights to conduct archaeological expeditions on specific shipwrecks.

Additional Operations Information: A more detailed operational update was provided during the company's conference call held on November 5. A replay and transcript of the call are available on the company's website [here](#).

Third Quarter 2013 Financial Results

Total revenue in the third quarter of 2013 was \$5.6 million, as compared to \$0.9 million in the same year-ago quarter in 2012. The increase in total revenue is primarily attributed to the 2013 *Gairsoppa* project.

Marketing, general and administrative expenses in the third quarter of 2013 were \$4.7 million, as compared to \$3.0 million in the same year-ago quarter. A majority of the increase was due to a one-time expense related to a Court Order requiring Odyssey to pay \$1.1 million to Spain related its legal fees in the "*Black Swan*" case.

Operations and research expenses in the third quarter of 2013 were \$4.2 million, as compared to a credit balance of \$3.0 million in the same year-ago quarter. Under terms negotiated with the UK government for the *Gairsoppa* and *Mantola* shipwrecks, all risks and project costs are borne by Odyssey in case of unsuccessful recovery expeditions. However, in case of success, any cargo proceeds are split 80% for Odyssey and 20% for the UK government after recoupment of approved costs associated with the project. In the third quarter of 2012, Odyssey credited expenses for an amount of \$17.8 million for the recoupment of *Gairsoppa*-related expenses from inception of the shipwreck project through the end of the third quarter 2013. In the third quarter of 2013, Odyssey credited expenses for an amount of \$9.2 million for the recoupment of *Gairsoppa*-related expenses incurred in the second and third quarters of 2013. The main expenses under the title "Operations and research" are the costs of the company's Odyssey Explorer ship and the chartered *Dorado Discovery*. During the third quarter of 2013, the *Odyssey Explorer* primarily conducted shipwreck search and inspection operations whereas the *Dorado Discovery* worked on the Oceanica seabed mineral deposit. Excluding the impact of *Gairsoppa* cost recoupment (credit to expenses), operations and research expenses would have decreased from \$14.8 million in the three months ended September 30, 2012 to \$13.4 million in the same period in 2013.

Net loss for the third quarter of 2013 was \$0.9 million or \$(0.01) per share, as compared to a net income of \$3.8 million or \$0.05 per share in the same year-ago quarter. The change to net loss is primarily the result of the larger *Gairsoppa* project cost recoupment (credit to expenses) in 2012 as compared to the same period in 2013. Excluding the impact of an extraordinary one-time Black Swan expense of \$1.1 million, Odyssey would have been profitable in the third quarter of 2013.

Cash and cash equivalents totaled \$11.2 million at September 30, 2013, as compared to \$10.3 million at June 30, 2013. With the remaining cash inflows from the *Gairsoppa* silver monetization and assuming an eventual exercise of Mako's options in Oceanica in the fourth quarter of 2013 for an amount of \$17.5 million, the company anticipates ending 2013 with more than

\$30 million of cash on hand to fund its exploration and recovery projects in 2014. The company's estimate for year-end cash on hand of more than \$30 million is after an anticipated early repayment in the fourth quarter of a \$10 million project loan that matures in June 2014.

As a result of the improved cash position, last month Odyssey elected to start paying off its convertible debt in cash. Most of the company's current financial debt is now in the form of a collateralized credit line and bank debt.

Consolidated financial statements as well as the full filing are available on the company's website at www.odysseymarine.com as well as at www.sec.gov.

About Odyssey Marine Exploration

Odyssey Marine Exploration, Inc. (Nasdaq:OMEX) is engaged in deep-ocean exploration using innovative methods and state of-the-art technology for shipwreck projects and mineral exploration. For additional details, please visit www.odysseymarine.com. The company also maintains a Facebook page at <http://www.facebook.com/OdysseyMarine> and a Twitter feed @OdysseyMarine. For additional details on Odyssey Marine Exploration, please visit www.odysseymarine.com.

Forward Looking Information: Odyssey Marine Exploration believes the information set forth in this Press Release may include "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. Certain factors that could cause results to differ materially from those projected in the forward-looking statements are set forth in "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the Securities and Exchange Commission on March 12, 2013.

The financial and operating projections as well as estimates of mining assets are based solely on the assumptions developed by Odyssey that it believes are reasonable based upon information available to Odyssey as of the date of this release. All projections and estimates are subject to material uncertainties, and should not be viewed as a prediction or an assurance of actual future performance. The validity and accuracy of Odyssey's projections will depend upon unpredictable future events, many of which are beyond Odyssey's control and, accordingly, no assurance can be given that Odyssey's assumptions will prove true or that its projected results will be achieved.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,173,036	\$ 10,096,414
Restricted cash	561,245	276,906
Accounts receivable and other, net	6,681,697	2,101,941
Inventory	342,694	418,926
Other current assets	1,166,907	874,115
Total current assets	<u>19,925,579</u>	<u>13,768,302</u>
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	20,782,719	16,781,671
Building and land	4,750,360	4,708,091
Accumulated depreciation	<u>(16,434,827)</u>	<u>(15,038,811)</u>
Total property and equipment	<u>9,098,252</u>	<u>6,450,951</u>
NON-CURRENT ASSETS		
Inventory	5,216,957	5,574,841

Other non-current assets	1,268,544	1,102,730
Total other assets	<u>6,485,501</u>	<u>6,677,571</u>
Total assets	<u><u>\$ 35,509,332</u></u>	<u><u>\$ 26,896,824</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 2,410,686	\$ 1,948,555
Accrued expenses and other	4,406,753	14,050,840
Deferred revenue	2,835,522	2,835,522
Derivative liabilities	3,149,561	5,356,203
Mortgage and loans payable	<u>20,832,052</u>	<u>14,809,737</u>
Total current liabilities	<u>33,634,574</u>	<u>39,000,857</u>
LONG-TERM LIABILITIES		
Mortgage and loans payable	1,700,787	4,010,946
Deferred income from revenue participation rights	<u>4,643,750</u>	<u>4,643,750</u>
Total long-term liabilities	<u>6,344,537</u>	<u>8,654,696</u>
Total liabilities	<u>39,979,111</u>	<u>47,655,553</u>
STOCKHOLDERS' DEFICIT		
Preferred stock -- \$.0001 par value; 9,675,200 and 9,361,200 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; 81,484,779 and 75,416,203 issued and outstanding, respectively	8,148	7,542
Additional paid-in capital	185,134,331	144,446,574
Accumulated deficit	<u>(186,705,615)</u>	<u>(165,212,866)</u>
Total stockholders' deficit before non-controlling interest	(1,563,133)	(20,758,729)
Non-controlling interest	<u>(2,906,646)</u>	<u>—</u>
Total stockholders' deficit	<u>(4,469,779)</u>	<u>(20,758,729)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 35,509,332</u></u>	<u><u>\$ 26,896,824</u></u>

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS — Unaudited

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>September 30, 2013</u>	<u>September 30, 2012</u>
REVENUE				
Artifact sales and other	\$ 5,534,933	\$ 712,628	\$ 6,565,579	\$ 900,034
Exhibit	19,527	50,000	100,218	150,000
Expedition	—	183,469	5,480	4,222,446
Total revenue	<u>5,554,460</u>	<u>946,097</u>	<u>6,671,277</u>	<u>5,272,480</u>
OPERATING EXPENSES				
Cost of sales — artifacts and other	169,573	54,237	410,357	178,318
Marketing, general and administrative	4,670,196	2,985,664	10,390,087	7,825,582

Operations and research	4,159,412	(3,017,253)	19,403,757	11,689,145
Total operating expenses	<u>8,999,181</u>	<u>22,648</u>	<u>30,204,201</u>	<u>19,693,045</u>
INCOME (LOSS) FROM OPERATIONS	(3,444,721)	923,449	(23,532,924)	(14,420,565)
OTHER INCOME (EXPENSE)				
Interest income	4,074	573	6,829	23,711
Interest expense	(894,076)	(1,930,783)	(2,883,617)	(4,595,983)
Change in derivative liabilities fair value	870,453	4,801,862	2,206,642	1,712,030
Other	114,980	7,882	139,667	11,641
Total other income (expense)	<u>95,431</u>	<u>2,879,534</u>	<u>(530,479)</u>	<u>(2,848,601)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(3,349,290)	3,802,983	(24,063,403)	(17,269,166)
Income tax benefit (provision)	<u>(235,249)</u>	<u>—</u>	<u>(335,991)</u>	<u>—</u>
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	(3,584,539)	3,802,983	(24,399,394)	(17,269,166)
Non-controlling interest	<u>2,653,146</u>	<u>—</u>	<u>2,906,646</u>	<u>—</u>
NET INCOME (LOSS)	<u>\$ (931,393)</u>	<u>\$ 3,802,983</u>	<u>\$ (21,492,748)</u>	<u>\$ (17,269,166)</u>
NET INCOME (LOSS) PER SHARE				
Basic and diluted	<u><u>\$ (.01)</u></u>	<u><u>\$.05</u></u>	<u><u>\$ (.27)</u></u>	<u><u>\$ (.24)</u></u>

Weighted average number of common shares outstanding with participating securities per the two-class method

Basic	<u>80,252,203</u>	<u>78,544,391</u>	<u>78,991,192</u>	<u>73,498,034</u>
Diluted	<u>80,252,203</u>	<u>81,440,848</u>	<u>78,991,192</u>	<u>73,498,034</u>

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