



## Frequently Asked Questions

**Updated: November 7, 2013**

### Financial Questions

#### **Does Odyssey have sufficient cash on hand to fund operations for 2014?**

As Odyssey CFO Philip Devine discussed in the conference call on November 5, 2013, as of September 30, 2013, we had \$11 million of cash on hand. With the remaining cash inflows from the Gairsoppa silver monetization and the expected exercise of Mako's options in Oceanica, we expect to have in excess of \$30 million of cash on hand at the end of 2013. This amount assumes repayment of the \$10 million loan to Fifth Third Bank, which does not become due until mid-2014.

As a result of the improved cash position, OMEX last month elected to start paying off its convertible debt in cash. Most of the company's existing indebtedness consists of a collateralized credit line and bank debt.

With the cash on hand and with the various plans and opportunities to generate cash inflows (such as a new commodity shipwreck recovery, monetization of a portion of our investments in other companies, traditional bank financing, and vendor financing), we expect to be able to cover all our cash needs in 2013 and 2014. We have no plans for any OMEX stock offering in 2013 or 2014.

#### **Have Odyssey insiders been selling stock?**

In the last six months alone, three Directors and one Executive Committee member have purchased over \$600,000 in Odyssey stock with no insider sales during that period. Since October 1, 2008, insider purchases have far outweighed sales. Insider (reporting officers and directors) purchases during this time have totaled nearly \$1.4 million. Total insider sales have been under \$175,000, and \$47,000 of that was a sale that was immediately repurchased into an IRA account so beneficial ownership did not change.



## **Oceanica & Odyssey's Mineral Exploration Business Segment**

### **Where and what is the deposit controlled by Oceanica? When will you disclose more information?**

The scope and timing of what we can disclose on this subject are governed by the SEC's disclosure rules related to mining operations. We have retained an independent expert to advise us as to when we can and should disclose more details on the Oceanica deposit. We anticipate that this could happen within the next three to six months, but it could happen sooner if Odyssey's management, using advice from the independent expert, determines that additional disclosure is necessary or appropriate.

The company is pursuing rigorous mining industry norms for the validation of the mineral deposit and is using reputable independent labs and experts for the analysis of the samples and data. When the technical report is completed and reviewed by an independent industry expert, OMEX will abide by all relevant laws and regulations in sharing the report with the investment community.

### **What are you doing to get to the point where you can talk more about Oceanica?**

Samples have been sent to some of the most respected independent labs in the United States, and results are being analyzed and reviewed. The number of core samples recovered is extensive, so it is taking some time to process all the material. From this data, a compliant Technical Report is being prepared and will be released when we are able to do so.

### **Did Odyssey invest cash in Oceanica?**

The cost to discover the mineral deposit represented Odyssey's investment in Oceanica. These costs have been included in our financials as operational expenses and have not been capitalized. In exchange for this discovery work, Odyssey received 77.8 million shares of Oceanica, which represented 77.8% of the outstanding stock in the company at the time of issue. The services rendered to Oceanica since its creation are accounted for as a receivable by the parent company.

### **What is Mako Resources, LLC?**

Mako is an independent investment group with current holdings of 23 million shares, representing 23%, of Oceanica. Mako is not a shareholder of Odyssey. Mako purchased 15 million shares from Odyssey in February 2013 for \$1 per share. Mako purchased an additional 8 million shares from Odyssey at \$1.25 per share in June 2013 via the exercise of stock options. As part of their initial purchase, Mako still has an option to purchase an additional 7 million shares of Oceanica from Odyssey at \$2.50 per share before December 31, 2013. We have been informed that the Mako investors consist of



approximately 45 sophisticated investors with an average investment of just over \$500,000 each, for an aggregate total of \$25 million. No current or former Odyssey officers, directors, or employees are Mako investors. The \$25 million paid so far to Odyssey in 2013 has been in the form of cash, and all amounts have been received.

**Will Mako Resources, LLC exercise their options in Oceanica?**

We expect that they will be exercised, but that is a decision to be made by Mako and its individual investors.

**What is your relationship with JP Morgan Chase?**

We have engaged JP Morgan Chase as a financial advisor to help us evaluate our options to maximize the value of our interest in Oceanica. This could include raising external funding for the project (unrelated to OMEX equity), bringing in a potential partner, or other strategic activities that we believe will provide significant economic returns and prove to be an important proof of concept in our ocean mineral exploration and project development strategy.

**Is Oceanica shareholder DNA, Ltd tied to Teegan or other Panamanian companies as alleged?**

No, DNA has no relationship whatsoever with Teegan or other companies that might have been represented at one time by the law firm retained by DNA Ltd. A contrived and misleading chart was used in a recent piece purporting to link DNA with several other named Panamanian entities. In fact, not one of those companies has anything whatsoever to do with DNA, other than the fact that they used the same Panamanian lawyer to form their entities, and the law firm provided some of its staff members as nominee directors in a multitude of companies. These nominee directors (who are employees of the law firm) have no day-to-day oversight of the company. The law firm used by DNA is the same law firm Odyssey used for the formation of its Panamanian entities. The Panamanian law firm, which was referred to us by our outside US legal counsel (a reputable and large US law firm), has informed us that it has never been associated with any questionable or alleged illegal activities related to the mentioned clients, and the firm has an excellent reputation with a client list of over 3,000 different companies that it has formed.

In fact, the primary shareholder of DNA, Daniel de Narvaez-McAllister, has an extensive background in mining and was instrumental in the formation of the original company that obtained the 50-year exclusive tenement rights now controlled by Oceanica.



**Who is Daniel De Narvaez-McAllister, and why is he involved in the Oceanica project?**

Daniel, along with the legal team in Mexico, formed the original Mexican company which successfully obtained the exclusive rights and permits necessary for mineral exploration and mining in Mexico. Odyssey subsequently traded services and expertise in development of the project for equity in the holding company (Oceanica) which owns the shares of the company in Mexico.

After studying mining engineering at the Colorado School of Mines, Daniel worked for Ingersoll Rand as a drilling specialist. Later Daniel operated his own mining company and developed mechanized exploration and tunneling works in several mines. He served “pro bono” ten years as the first president and founder of the Colombian Association of Emerald Miners, dedicated to assisting in social and educational programs in the very poor mining communities and in the promotion of scientific investigations.

Under Daniel’s leadership CDTEC, one of the world’s foremost emerald certification laboratories was created and the CDT (Emerald Center for Technical Development) was institutionalized. With the association of the Colombian government’s ICBF and the United Nations IOM, they signed an agreement geared toward the elimination of child labor in the mines and many other social works related to mining communities. Daniel has coauthored several scientific gemological and geological papers and has had extensive business experience working throughout Latin America on many different cultural heritage, shipwreck, mining and mineral exploration projects.

**Why did Odyssey set up offshore companies in Bahamas and Panama? Does Odyssey have any additional offshore companies?**

Earlier in 2013, Odyssey, with the assistance of outside US legal counsel and with advice from independent accounting firm Grant Thornton LLP, organized several subsidiaries outside the United States and properly disclosed the organization of the subsidiaries in its filings with the SEC. Odyssey organized these subsidiaries as part of its international tax planning with respect to taxes paid on revenue and profits generated outside the United States and to make the entity more attractive to foreign strategic investors. International tax planning of this type is commonly undertaken by companies with international operations.

We consolidate all three of these newly formed foreign entities/subsidiaries in their entirety based on our control. We do not have any off-balance sheet arrangements. In some cases, Odyssey may also form a foreign subsidiary when a local entity is required by law to hold a license or mineral rights. We follow expert legal advice from one of the nation’s leading business law firms and follow common practices of other publicly listed companies that have



foreign operations and interests. We have publicly disclosed all business entities and relationships.

**Why are Oceanica and Neptune carried at \$0 on Odyssey's balance sheet?**

Odyssey follows USGAAP (United States Generally Accepted Accounting Principles).

Except for intercompany transactions and balances between the parent company and subsidiaries that are eliminated upon consolidation, all of the assets, all of the liabilities, all of the revenues, all of the expenses, and all of the cash flows of the subsidiaries are included in and shown in the published consolidated financial statements of Odyssey.

For companies where Odyssey holds a stake but no control over the third-party entity (such as Neptune), Odyssey uses the equity method of accounting whereby it records the investment in the company as an asset and records its share of any ensuing profit or loss in the company as an adjustment to the carrying value of the investment asset. Because these companies are loss-making at this stage and Odyssey has recognized its share of their losses, the carrying book value of these investment assets has been reduced to zero. However, as most investors realize, the accounting book value is not the same as the market value.

**What could change this carrying value?**

Under USGAAP, the carrying value of our investments in companies such as Neptune (where we exercise no control) would increase if we make further investments or if the entities begin to generate profits.

Our subsidiaries are consolidated in their entirety, thus they are not shown as an "investment" in our balance sheet and thus there is no "carrying value" to be changed. The "value" of the subsidiaries is reflected in their financials that are included in their entirety in the published consolidated financial statements of Odyssey (after elimination of any intercompany transactions and balances as required by USGAAP).

**Does Odyssey consolidate Oceanica on its balance sheet?**

We do. Oceanica is fully consolidated into our financial statements. We do not have any off-balance sheet arrangements.



### John Morris

#### **How, if at all, is former Odyssey CEO, John C. Morris, associated with Oceanica, Neptune, and Chatham Rock Phosphate?**

- John Morris has no connection to Oceanica.
- John Morris is CEO and a shareholder of Neptune Minerals, in which Odyssey holds a minority interest.
- John Morris was involved in an investor group that took an equity position in Chatham Rock Phosphate, a New Zealand company which Odyssey had no role in creating or managing. Odyssey became involved with Chatham Rock through provision of offshore geotechnical services and was paid in cash and stock for those services (\$4 million in cash plus stock in 9,320,348 shares of CRP.NZ).

#### **What is John Morris's continuing relationship with Odyssey?**

- John Morris has no current direct involvement. He ceased employment with Odyssey in 2008 to pursue aggressive cancer treatment. He was a part-time consultant as part of an annual consulting contract and non-compete agreement until mid-2011. During that time, John Morris assisted the company in identifying funding sources.
- After 11 years serving as CEO of Odyssey, John Morris was paid approximately \$1.4 million after he left the company's employment. During this same period, he agreed to a non-compete arrangement and assisted in raising over \$17 million to fund Odyssey's operations and personally paid Odyssey \$1.3 million to exercise warrants and options.

#### **Why was Galt allowed to modify their agreement with Odyssey?**

While it is easy to determine that this was a good investment by Galt with the benefit of hindsight, the outcome was not so certain when they made their investment in early 2011. This project-based financing was high risk and could have been worth \$0 at the end of that year.

In early 2011, Odyssey had not even begun the search for *Gairsoppa* and the *Victory* project had not been transferred to the Maritime Heritage Foundation. Odyssey needed operating capital, and this project financing was non-dilutive from an equity standpoint and had significantly lower success payouts to Galt than previous agreements would have paid out to investors in other transactions.

The only modification to the agreement - which split Galt's investment over two projects at the time they were to make their project selection - benefited Odyssey shareholders by allowing Odyssey to retain more cash from the *Gairsoppa* project. Galt was able to provide their investors a good initial return from the *Gairsoppa* project,



while keeping potential additional upside with the *Victory* project. If Galt had chosen *Gairsoppa* as their one project, Odyssey would have retained significantly less cash from that project.

As a side note, while John Morris led the Galt investment group, he did not personally receive the \$15 million success payout. His stake and personal investment in the Galt group was less than 1.5% of the total.

### **Historic Shipwrecks**

#### **Will the UNESCO Convention for the Protection of Underwater Cultural Heritage keep Odyssey from working on historic shipwreck sites?**

Odyssey CEO Greg Stemm sat on the US Delegation that was involved in the drafting of this convention – so we have been familiar with it for many years. After 13 years, nearly 80% of the world's countries have NOT signed on to the UNESCO Convention for the Protection of Underwater Cultural Heritage, including the US, UK, China, Russia, Brazil, and many others. The convention is only in force in signatory countries.

The UNESCO convention does not prohibit the provision of archeological services for a fee, and it does not prohibit the disposition or de-accessioning of recovered cultural heritage, as long as it is authorized by the competent authorities. It also does not prevent governments or other entities from compensating Odyssey for the value of recovered artifacts. That being said, we support the archaeological principles outlined in the UNESCO convention and conduct best-in-class archaeology on historically significant shipwreck projects. Our contract with the Maritime Heritage Foundation for the *Victory* project and proposals we have out to other governments all comply with the Convention's criteria.

We thus believe that we can continue to pursue most historical shipwreck projects now and in the future in a manner that is financially attractive to Odyssey shareholders and culturally attractive to all parties. Many historical shipwrecks are being damaged due to fishing trawlers and other causes, and without a balanced financial incentive to search for and recover such shipwrecks, many of them are likely not to be found or to lose all their cultural and archaeological value due to damage.



**What is the latest news about the *Victory* project? Why don't you provide more information?**

We are proud of the work we have done to date on the *Victory* project, and we look forward to continuing work to save the important cultural heritage associated with this shipwreck for the citizens of the UK and the world. Odyssey is the archaeological contractor for the Maritime Heritage Foundation, which owns the wreck site following a gift from the Ministry of Defence in January 2012. The Maritime Heritage Foundation generally determines when additional news about the project can be released.

Considerable information about the shipwreck is available to the public at [www.victory1744.org](http://www.victory1744.org). Three new reports that detail non-disturbance work done at the shipwreck site last year have recently been added to the website.