
**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, 2018**
- 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 and zip code 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, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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

Emerging growth company

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

The aggregate market value of the 7.9 million shares of voting stock held by non-affiliates of Odyssey Marine Exploration, Inc. as of June 30, 2018 was approximately \$65.3 million. As of March 8, 2019, the Registrant had 9,222,199 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 Stockholders to be held on June 3, 2019.



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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, as amended, and Section 21E of the Securities Act of 1934, as amended. 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 our “RISK FACTORS” in Item 1A and elsewhere in this report. Accordingly, readers of this Annual Report on Form 10-K should consider these factors in evaluating an investment in our securities and are cautioned not to place undue reliance on the forward-looking statements contained herein. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events unless otherwise specifically indicated, except as required by law.

ITEM 1. BUSINESS

Overview

Odyssey Marine Exploration, Inc. is a world leader in deep-ocean exploration. The discovery, development and extraction of deep-ocean minerals is the company’s core focus. Our innovative techniques are also applied to shipwreck cargo recovery and other marine survey and exploration charter services. We have numerous projects in various stages of development around the world from both our own portfolio as well as through third-party contracts.

In 2010, we began to leverage our core business expertise and technology for deep-ocean mineral exploration. Our expeditions conducted for Neptune Minerals, Inc. and Chatham Rock Phosphate, Ltd. resulted in the assessment of significant mineral deposits. We are also developing and exploring our own deep-ocean mineral projects. Through our majority stake in Oceanica Resources S. de R.L., a Panamanian company (“Oceanica”), we control Exploraciones Oceanicas, S. De R.L. De C.V. (“ExO”), a Mexican company that has exclusive mining permits for a significant phosphate deposit. Our team performed all of the off-shore exploration to find and validate the mineralized phosphate deposit and is managing the environmental studies and environmental permit application process with ExO. This phosphate deposit is one of the largest to be identified, is expected to be important to the regional and international fertilizer markets, and is strategically important to Mexico and North America. To move to the next phase of development of the deposit, Odyssey’s subsidiaries are managing the legal and political process to gain approval of the Environmental Impact Application (“EIA”).

In addition to our ownership stake in the ExO phosphate deposit, we also own a controlling interest in one other mineral project and a non-controlling interest in three other mineral companies controlling mineral deposits. We are also developing new mineral projects around the world.

We have extensive experience discovering shipwreck sites in the deep ocean and conducting archaeological excavations with remotely operated vehicles (“ROVs”). We have worked on historically important shipwreck projects including the SS *Republic*, HMS *Victory* (1744), the SS *Central America* and *La Marquis de Tourny*. Odyssey also has considerable experience conducting cargo recovery operations from 20th century shipwrecks in the deep ocean. Between 2012 and 2013, we recovered over 110 tons of silver cargo, representing 99% of the insured cargo, from the SS *Gairsoppa*, which was located nearly three miles deep. This was one of the largest and heaviest recoveries from a shipwreck in history.

Deep-Ocean Mineral Exploration

Our mineral exploration and development program leverages the 20+ years’ experience we have mapping the ocean floor in search of shipwrecks. The technology and team have been seamlessly applied to successfully locate mineral deposits on the ocean floor worldwide. Our expert team boasts some of the industry’s most experienced ocean explorers and geologists utilizing an extensive array of advanced deep-ocean technology resulting in the cost-efficient exploration and assessment of seabed minerals.

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Our capabilities allow us to perform precision geophysical and geotechnical surveys, detailed mapping, sampling, environmental assessments and resource evaluations. The company's capabilities also include a full suite of strategic and administrative functions that support identification of new resources, the scientific services required to validate and quantify mineral resources as well as process and analyze the environmental data for permitting. Through strategic alliances and partnerships Odyssey also develops extraction and commercial programs. This collective suite of capabilities gives the company the ability to develop subsea mineral resources from blue-ocean concepts through to extraction and commercial sales. This enables the company to rapidly drive resource targets and assets up the valuation chain.

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

There are many economically significant types of seabed mineral deposits being evaluated or explored by Odyssey. Three primary types are:

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 elements 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 including cobalt, copper and rare earths. 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. Polymetallic nodules are found around the world in abyssal plains at depths generally ranging from 4,000 – 5,000 meters.

Seafloor Massive Sulphides (SMS) – SMS deposits are found on the ocean floor and contain copper, zinc, gold, silver and other 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). SMS deposit targets are generally distantly adjacent and away from active venting systems in largely biologically benign environments.

Deep-Ocean Shipwreck Exploration

During the past 20 years, we amassed a large private database and research library of target shipwrecks, developed and acquired proprietary deep-ocean equipment and tools, and built a team of knowledgeable experts to execute off-shore projects. Over that time, we conducted shipwreck search and cargo recovery work on our own behalf and under contract to third parties. On December 10, 2015, we sold the shipwreck database and research library to an affiliate of Monaco Financial LLC's, Magellan, while still retaining our equipment, tools, and specialized offshore team members. As part of this transaction with Monaco, Magellan agreed to exclusively hire Odyssey on a "cost plus" basis for any shipwreck search and recovery projects conducted through 2020 with the option to extend the contract. Magellan will also pay us 21.25% of the net proceeds from any monetization of recovered cargo.

We have extensive experience and abilities in key functional areas required for success in the shipwreck business, such as research, conservation, documentation and exhibit of rare artifacts and publication of archaeological excavation. We conduct these services under contract to Monaco's affiliate and other companies for their projects as well.

Offshore Services

We own specialized marine services survey and recovery equipment that we mobilize for customers on leased vessels. This proprietary equipment is operated by our technical team when conducting operations worldwide. This allowed us to launch the CLIO Offshore services program, increasing the utilization and leverage of the technical team and assets between our projects. CLIO Offshore is focused on third-party survey, remotely operated vehicle (ROV) and recovery projects down to 6,000 meters in depth. This program also offers services for deep-ocean resource explorations, ship and airplane wreck explorations, archaeological recovery and conservation and insurance documentation.

Operational Projects and Status

We have numerous deep-ocean projects in various stages of development around the world. To protect the targets of our planned operations, in some cases we may defer disclosing specific information relating to our projects until we have located a shipwreck or other potentially valuable sources of interest and determined a course of action to protect property rights. With respect to mineral deposits, SEC Industry Guide 7 outlines the Securities and Commission's basic mining disclosure policy and what information may be disclosed in public filings. The SEC has adopted amendments to the property disclosure requirements for mining registrants that must be complied with for the full fiscal year beginning after January 1, 2021. With respect to shipwrecks, the identity of the ship may be undeterminable and the nature and amount of cargo may be uncertain, thus before completing any recovery, specific information about the project may be unavailable. If work is conducted on behalf of a client, release of information may be limited by the client. Although Odyssey has a variety of projects in various stages of development, only projects with material operational activity in the past 12 months are included below.

Subsea Mineral Mining Exploration Projects

Oceanica Resources, S. de R.L.

In February 2013, we disclosed Odyssey's ownership interest, through Odyssey Marine Enterprises, Ltd., a wholly owned Bahamian company ("Enterprises"), in Oceanica Resources, S. de R.L., a Panamanian company ("Oceanica"), and Exploraciones Oceanicas, S. De R.L. De C.V. ("ExO"), a subsidiary of Oceanica. ExO is in the business of mineral exploration and controls exclusive permits in an area in Mexican waters that contains a large amount of phosphate mineralized material. Phosphate is a key ingredient of fertilizers. In March 2014, Odyssey completed a first NI 43-101 compliant report on the deposit and periodically updates this report. This deposit is currently our main mineral project, and success of this project is important to Odyssey's future. Odyssey believes that this deposit contains a large amount of high-grade phosphate rock that can be extracted on a financially attractive basis (essentially a dredging operation) and that the product will be attractive to Mexican and other world producers of fertilizers.

ExO has conducted extensive scientific testing of the mineralized phosphate material and of the environmental impact of recovering the mineralized material from the seafloor. ExO has been working with leading environmental experts on the impact assessment and permitting process, with Royal Boskalis Westminster N.V on the extraction and processing program, and with JPMorgan and the AHMSA group of companies on the strategic growth alternatives.

ExO applied for and was granted additional mining concession areas by the Mexican government. These additional areas are adjacent to the zones with the highest concentration of mineralization in the original mining concession area. ExO also relinquished certain parts of the granted concession areas where the mineral concentration levels were less attractive for mining purposes.

In September 2014, ExO reported that the EIA for proposed dredging and recovery of phosphate sands from the deposit had been filed with the Mexican Secretary of Environment and Natural Resources (SEMARNAT). Approval of this EIA application is needed in order to obtain an environmental permit to begin the commercial extraction of phosphate from the tenement area. In November 2014, SEMARNAT held a public hearing on the EIA in Mexico and asked supplemental questions to ExO on its EIA application. In full compliance with the SEMARNAT process, a response to the questions was filed in March 2015. In addition to providing supplemental scientific information and studies, the response included additional mitigation and economic considerations to reinforce ExO's commitment to being good corporate citizens and stewards of the environment. In June 2015, ExO withdrew its EIA application to allow additional time for review and regional briefings. The EIA was re-submitted in June 2015, and additional information was filed in August 2015. A public hearing on this application was conducted by SEMARNAT on October 8, 2015, additional questions were received from SEMARNAT in November 2015, and ExO's responses to the questions were filed with SEMARNAT on December 3, 2015. On April 8, 2016, SEMARNAT denied the application for this environmental license as presented.

On March 21, 2018, the Superior Court of the Federal Court of Administrative Justice in Mexico ruled unanimously in favor of our subsidiary, ExO, nullifying the April 2016 denial of the environmental license application for the extraction of phosphate sand from ExO's deposit. In May 2018, after the statutory period for appeal of the ruling had passed with no appeals filed, the Mexican court published the full ruling on their website.

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On October 18, 2018 we were notified that SEMARNAT repeated their refusal to issue the environmental approval for the phosphate deposit controlled by ExO in opposition to the unanimous ruling and Court Order issued by Mexico's Federal Court of Administrative Justice. On October 22, 2018, legal counsel for ExO filed an action before the Court requesting sanctions be imposed upon SEMARNAT and a requirement for SEMARNAT to promptly issue the permit as directed in the Court Order.

To move to the next phase of development of the deposit, Odyssey and its subsidiaries need the issuance of this environmental permit. Odyssey and its subsidiary ExO continue to work with our Mexican partners to obtain the necessary environmental permission as noted in the Court's ruling.

Enterprises initially held 77.6 million of Oceanica's 100.0 million outstanding shares. Subsequently, Enterprises sold and transferred to Mako Resources, LLC ("Mako") 15.0 million shares for a purchase price of \$1.00 per share, or \$15.0 million, and granted Mako options to purchase an additional 15.0 million shares at the purchase price of \$2.50 per share before December 31, 2013.

In June 2013, Mako agreed to exercise a portion of these options to purchase 8.0 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, Enterprises purchased 1.0 million shares of Oceanica from another Oceanica shareholder at \$1.25 per share. This transaction also provided Odyssey voting rights on an additional 3.0 million shares of Oceanica held by such other Oceanica shareholder so long as there is no change in control of Odyssey.

An option to purchase an additional 1.0 million shares was exercised by Mako on December 30, 2013 for a total amount of \$2.5 million. The options on the remaining 6.0 million shares were extended in 2014 and 2015. On March 11, 2015, these options were terminated in exchange for the issuance of 4.0 million shares of our common stock to Mako. In August 2014, we entered into a loan agreement with Monaco Financial, LLC, a marketing partner. Under terms of that agreement, Monaco may convert all or part of the loan balance into Oceanica shares held by us to purchase Oceanica shares from us at a pre-defined price (See NOTE H). This loan was amended in December 2015 and again in March 2016, extending the maturity date of the loan to April 1, 2018 and allowing Monaco to retain the call option on the \$10 million worth of Oceanica shares held by Odyssey until April 1, 2018. In March 2015, Odyssey entered into a loan arrangement with Minera del Norte, S.A. de C.V. ("MINOSA") whereby Odyssey pledged all of its shares in Oceanica as collateral for a \$14.75 million loan from MINOSA. The MINOSA loan has been amended several times and matured December 31, 2017, coupled with other stipulations, see NOTE H in ITEM 8 for further information.

Shipwreck Exploration Projects

Odyssey began conducting offshore services for our shipwreck business partner, Magellan Limited, in 2016. In 2017 the search and inspection phase of a major shipwreck project covering multiple valuable targets was successfully completed. We currently are providing a range of marine-related services to Magellan in support of this and other projects.

Other Projects

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

Legal and Political Issues

Odyssey works with several leading international maritime lawyers and policy experts to constantly monitor international legal initiatives that might affect our projects.

To the extent that we engage in mineral exploration or shipwreck search and recovery activities in the territorial, contiguous or exclusive economic zones of countries, Odyssey works to comply with verifiable applicable regulations and treaties.

We believe there will be increased interest in the protection of underwater cultural heritage and in the recovery of subsea minerals throughout the oceans of the world. We are uniquely qualified to provide governments and international agencies with knowledge and skills to help manage these resources.

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Related to mineral exploration, we will evaluate the political climate and specific legal requirements of any areas in which we are working. We may partner with third parties who have unique industry experience in specific geographical areas to assist with navigation of the regulatory landscape.

Competition

Odyssey conducts mineral exploration on both shallow and deep-sea terrains. There are several companies that publicly identify themselves as engaged in aspects of deep-ocean mineral exploration or mining, including Nautilus Minerals (NUS.TO), Neptune Minerals, Deep Green Resources, Inc. and Chatham Rock Phosphate, Ltd. (CRP.NZ) as well as countries that are exploring options to mine deep-ocean mineralized materials. As our mineral exploration business plan includes partnering with others in the industry, we view these entities as potential partners rather than pure competitors. As mineral rights are generally granted on an exclusive basis for a specific area or tenement, once licenses are granted we do not anticipate any competitive intrusion on those areas. It is possible that one of these companies or some currently unknown group may secure licenses on an area desired by Odyssey or one of our partners; but since exploration work does not start until licenses are secured, we do not believe that competition from one or more of these entities, known or unknown, would materially affect our operating plan or alter our current business strategy. For offshore mineral exploration, there are providers of vessels and equipment that could be competitors or partners for certain projects. These companies generally service the oil, gas and telecom industries with survey capabilities. We view these companies as potential strategic partners or services providers for our projects.

Cost of Environmental Compliance

With the exception of marine operations, 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 vessels we may utilize. The cost of such coverage is not material on an annual basis. Our seabed mineral business is currently in the exploration and validation phase and has thus not exposed us to any significant environmental risks or hazards, other than those which are standard to basic marine operations.

Executive Officers of the Registrant

The names, ages and positions of all the executive officers of the Company as of March 1, 2019 are listed below.

Mark D. Gordon (age 58) has served as Chief Executive Officer since October 1, 2014, as President since October 2007 and was appointed to the Board of Directors in January 2008. Previously, Mr. Gordon served as Chief Operating Officer since October 2007 and as Executive Vice President of Sales and Business Development since January 2007 after joining Odyssey as Director of Business Development in June 2005. Prior to joining Odyssey, Mr. Gordon owned and managed four different ventures (1987-2003).

Jay A. Nudi, CPA (age 55) has served as Chief Financial Officer since June 2017, as Principal Accounting Officer since January 2006 and joined Odyssey as Controller in May 2005. Mr. Nudi previously assumed the additional responsibilities of Interim Chief Financial Officer on June 8, 2016 and of Treasurer in May 2010. Prior to joining Odyssey, Mr. Nudi served as Controller for The Axis Group in Atlanta (2003-2004).

John D. Longley, Jr. (age 52) has served as Chief Operating Officer since October 1, 2014. Previously Mr. Longley served as Executive Vice President of Sales and Business Development since February 2012. Mr. Longley was originally the Director of Sales and Business Operations when he joined the Company in May 2006.

Laura L. Barton (age 56) was appointed as Executive Vice President and Director of Communications in June 2012 and formerly served as Vice President and Director of Corporate Communications from November 2007 to June 2012. She was appointed Corporate Secretary in June 2015. Ms. Barton previously served as Director of Corporate Communications and Marketing for Odyssey since July 2003. Ms. Barton was previously President of LLB Communications, a marketing and communications consulting company whose customers included a variety of television networks, stations and distributors and the Company (1994-2003).

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Employees

As of December 31, 2018, we had 17 full-time employees, most working from our corporate offices in Tampa, Florida. Additionally, we contract with specialized technicians to perform technical marine survey and recovery operations and from time to time 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, www.sec.gov. 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. With respect to mineral exploration projects, there are uncertainties with respect to the quality and quantity of the material and their economic feasibility, the price we can obtain for the sale of the deposit or the ore extracted from the deposit, the granting of the necessary permits to operate, environmental safety, technology for extraction and processing, distribution of the eventual ore product, and funding of necessary equipment and facilities. In projects where Odyssey takes a minority ownership position in the company holding the mining rights, there may be uncertainty as to that company's ability to move the project forward. With respect to our shipwreck projects, although we may be able to plan and obtain permits for our 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 recovery 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, and there could be an extended sales cycle to convert the cargo into cash. Since December 2015, the majority of our work on shipwreck projects has been performed as a contractor to another party, which limits the potential upside for us on such projects. The contracting party may encounter many of the same risks listed above with respect to obtaining permits, retaining ownership of any recovered cargo, and monetizing the cargo. As a contractor, we are also dependent on the contracting party's ability to commence the project in a timely manner and to pay our invoices.

The research and data we use may not be reliable.

The success of a mineral or shipwreck project is dependent to a substantial degree upon the research and data we or the contracting party have obtained. By its very nature, research and data regarding mineral deposits and shipwrecks can be imprecise, incomplete, outdated, and unreliable. 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. In the case of shipwrecks, 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. Prior to conducting off-shore exploration, we typically conduct on-shore research. There is no guarantee that the models and research conducted on-shore will be representative of actual results on the seafloor. Off-shore exploration typically requires significant expenditures, with no guarantee that the results will be useful or financially rewarding.

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

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may be somewhat predictable, the possibility exists that unexpected conditions may occur that adversely affect our operations. It is also possible that natural hazards may prevent or significantly delay search and recovery operations. Seabed mineral extraction work may be subject to interruptions resulting from storms that adversely affect the extraction operations or the ports of delivery.

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

Persons and entities other than Odyssey and entities we are affiliated with (both private and governmental) may claim title to the shipwrecks and/or valuable cargo that we may recover. Even if we are successful in locating and recovering shipwrecks and/or valuable cargo, we or our client may not be able to establish necessary rights to property recovered if challenged by governmental entities, prior owners, or other attempted salvors claiming an interest therein. In such an event we may not receive our share of anticipated proceeds although we would still be paid for our work when conducting operations for a client. We may discover potentially valuable seabed mineral deposits, but we may be unable to get title to the deposits or get the necessary governmental permits to commercially extract the minerals. Mineral deposits and shipwrecks may be in controlled waters where the policies and laws of a certain government may change abruptly, thereby adversely affecting 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 minerals or similar items from shipwrecks 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 minerals or recovered objects.

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

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

Legal, political or civil issues of governments throughout the world could restrict access to our operational marine sites or interfere with our marine operations or rights to seabed mineral deposits. In many countries, the legislation covering ocean exploration lacks clarity. As a result, when we are conducting projects in certain areas of the world for our own account or on our behalf of a contracting party, we may be subjected to unexpected delays, requests, and outcomes as it works with local governments to define and obtain the necessary permits and to assert its claims over assets on the seafloor bottom. Our vessel, equipment, personnel and or cargo could be seized or detained by government authorities. We may have to work with different units of a government, and there may be a change of government representatives over time. This may result in unexpected changes or interpretations in government contracts and legislation.

Objects we recover could be stolen from us.

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

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

It is possible we will not be successful in obtaining the necessary permits to conduct exploration or excavation and extraction operations. In addition, permits we obtain may be revoked or not honored by the entities that issued them. In addition, certain governments may develop new permit requirements that could delay new operations or interrupt existing operations.

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

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

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

Our ability to generate cash inflows is dependent upon our ability to recover and monetize large quantities of minerals or mineral rights or shipwrecks and cargo or to charter or lease marine exploration vessels or equipment on favorable terms. However, we cannot guarantee that the sales and other cash sources will generate sufficient cash inflows to meet our overall cash requirements. If cash inflows are not sufficient to meet our business requirements, we will be required to raise additional capital through other financing activities. While we have been successful in raising the necessary funds in the past, there can be no assurance we can continue to do so in the future.

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

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

We may continue to experience significant losses from operations.

We have experienced a net loss in every fiscal year since our inception except for 2004. Our net losses were \$5.2 million in 2018, \$7.8 million in 2017 and \$6.3 million in 2016. 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, magnetometers, ROVs, and other advanced science and technology to perform seabed mineral exploration and to locate and recover shipwrecks at depths previously unreachable in an economically feasible manner. Although we try to maintain back-ups on critical equipment and components, equipment failures may require us to delay or suspend operations. Also, while we endeavor to keep marine equipment in excellent working condition and current with all available upgrades, technological advances in new equipment may provide superior efficiencies compared to the capabilities of our existing equipment, and this could require us to purchase new equipment which would require additional capital.

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

In the past, from time to time, we have earned revenue by chartering out vessels, equipment and crew and providing marine services to clients or customers. Even if we do contract out our services, the revenue may or may not be sufficient to cover administrative overhead costs. While the operational results of these syndicated projects are 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 a 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.

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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 convertible notes at conversion prices that are lower than the market price of our common stock at the time of conversion. In the past, Odyssey has issued debt obligations that could be converted into common shares at prices below the market price. 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. We may or may not have control or input on the future development of these businesses. There can be no assurance that these companies will achieve profitability or otherwise be successful in capitalizing on the mineralized materials they intend to exploit.

We may be subject to short selling strategies.

Short sellers of our stock may be manipulative and may attempt to drive down the market price of our common stock. Short selling is the practice of selling securities that the seller does not own but rather has, supposedly, borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is therefore in the short seller's best interests for the price of the stock to decline, many short sellers (sometime known as "disclosed shorts") publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects to create negative market momentum and generate profits for themselves after selling a stock short. Although traditionally these disclosed shorts were limited in their ability to access mainstream business media or to otherwise create negative market rumors, the rise of the Internet and technological advancements regarding document creation, videotaping and publication by weblog ("blogging") have allowed many disclosed shorts to publicly attack a company's credibility, strategy and veracity by means of so-called "research reports" that mimic the type of investment analysis performed by large Wall Street firms and independent research analysts. These short attacks have, in the past, led to selling of shares in the market, on occasion in large scale and broad base. Issuers who have limited trading volumes and are susceptible to higher volatility levels than large-cap stocks, can be particularly vulnerable to such short seller attacks. These short seller publications are not regulated by any governmental, self-regulatory organization or other official authority in the U.S., are not subject to certification requirements imposed by the Securities and Exchange Commission and, accordingly, the opinions they express may be based on distortions or omissions of actual facts or, in some cases, fabrications of facts. In light of the limited risks involved in publishing such information, and the enormous profit that can be made from running just one successful short attack, unless the short sellers become subject to significant penalties, it is more likely than not that disclosed short sellers will continue to issue such reports.

Some of our equipment or assets could be seized or we may be forced to sell certain assets

We have pledged certain assets, such as equipment and shares of subsidiaries, as collateral under our loan agreements. Some suppliers have the ability to seize some of our assets if we do not make timely payments for the services, supplies, or equipment that they have provided to us. If we were unable to make payments on these obligations, the lender or supplier may seize the asset or force the sale of the asset. The loss of such assets could adversely affect our operations. The sale of the asset may be done in a manner and under circumstances that do not provide the highest cash value for the sale of the asset.

We could be delisted from the NASDAQ Capital Market.

Our common stock is listed on the NASDAQ Capital Market, which imposes, among other requirements, a minimum bid requirement. The closing bid price for our common stock must remain at or above \$1.00 per share to comply with NASDAQ's minimum bid requirement for continued listing. If the closing bid price for our common stock is less than \$1.00 per share for 30 consecutive business days, NASDAQ may send us a notice stating we will be provided a period of 180 days to regain compliance with the minimum bid requirement or else NASDAQ may make a determination to delist our common stock. Another requirement for continued listing on the NASDAQ Capital Market is to maintain our market capitalization above \$35.0 million.

Failure by the company to maintain compliance with the above-mentioned and other NASDAQ continued listing requirements may lead to the delisting of the company from the NASDAQ Capital Market. Delisting from the NASDAQ Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. If our common stock is delisted by NASDAQ, our common stock may be eligible to trade on an over-the-

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counter quotation system, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. We cannot assure you that our common stock, if delisted from the NASDAQ Capital Market, will be listed on another national securities exchange or quoted on an over-the counter quotation system.

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

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

We may be exposed to cyber security risks.

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and among ourselves within our company. Additionally, one of our significant responsibilities is to maintain the security and privacy of our confidential and proprietary information and the personal data of our employees. Our information systems, and those of our service and support providers, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Computer viruses, hackers and other external hazards, as well as improper or inadvertent staff behavior could expose confidential company and personal data systems and information to security breaches. Techniques used to obtain unauthorized access or cause system interruption change frequently and may not immediately produce signs of intrusion. As a result, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures. With respect to our commercial arrangements with service and support providers, we have processes designed to require third-party IT outsourcing, offsite storage and other vendors to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, we remain at risk of a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes, or a cyber-attack on a vendor's information systems or our information systems.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We maintain our offices in Tampa, Florida where we lease approximately 12,000 square feet of office space. This corporate office space is located in a building that we previously owned. We previously leased our corporate office space from Monaco Financial, LLC, a related party, for \$20,080 per month, however, Monaco sold the building in October 2018. The new landlord assumed our current lease without revision. We currently do not own any buildings or land. We believe our current leased facility is sufficient for our foreseeable needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently a party to any litigation. From time to time in the ordinary course of business, we may be subject to or may assert a variety of claims or lawsuits.

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****Price Range of Common Stock**

Our common stock is listed on the NASDAQ Capital Market under the symbol OMEX. The following table sets forth the high and low sale prices for our common stock during each quarter presented.

Quarter Ended	Price	
	High	Low
March 31, 2017	\$ 5.79	\$3.25
June 30, 2017	\$ 4.56	\$2.98
September 30, 2017	\$ 5.00	\$3.39
December 31, 2017	\$ 4.82	\$3.17
Quarter Ended		
March 31, 2018	\$13.75	\$3.44
June 30, 2018	\$11.75	\$6.66
September 30, 2018	\$ 9.87	\$6.44
December 31, 2018	\$ 8.65	\$3.16

Approximate Number of Holders of Common Stock

The number of record holders of our common stock at January 25, 2019 was approximately 170. This does not include stockholders that hold their stock in accounts included in street name with broker/dealers which approximates 8,600 stockholders.

Dividends

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

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities of the Company’s common stock during the year ended December 31, 2018.

Issuer Purchases of Equity Securities

There were no repurchases of shares of the Company’s common stock during the year ended December 31, 2018.

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,				
	2018	2017	2016	2015	2014
Results of Operations					
Revenue	\$ 3,276	\$ 1,248	\$ 4,683	\$ 5,330	\$ 1,323
Net income (loss)	(5,172)	(7,759)	(6,316)	(18,207)	(26,473)
Earnings (loss) per share – basic	(0.60)	(0.95)	(0.84)	(2.46)	(3.74)
Earnings (loss) per share – diluted	(0.60)	(0.95)	(0.84)	(2.46)	(3.74)
Cash dividends per share	—	—	—	—	—

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Financial Position

Assets	\$ 5,473	\$ 2,972	\$ 5,084	\$ 6,913	\$ 25,090
Long-term obligations	4,644	7,644	8,979	3,141	11,808
Shareholder's equity (deficit)	(41,197)	(37,983)	(31,103)	(25,549)	(10,404)

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 \$1,000,000 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 2018, 2017 and 2016, all of which included a twelve-month period ended December 31.

2018 Compared to 2017

	Increase/(Decrease) (Dollars in millions)	2018	2017	2018 vs. 2017	
				\$	%
Total revenue		\$ 3.3	\$ 1.2	\$ 2.0	162%
Marketing, general and administrative		5.7	6.2	(0.5)	8%
Operations and research		3.7	3.4	0.3	7%
Total operating expenses		\$ 9.3	\$ 9.6	\$(0.3)	3%
Other income (expense)		\$(3.0)	\$(2.7)	\$ 0.3	14%
Income tax benefit (provision)		\$ 0.0	\$ 0.0	\$ 0.0	0%
Non-controlling interest		\$ 3.9	\$ 3.3	\$ 0.7	21%
Net income (loss)		\$(5.2)	\$(7.8)	\$(2.5)	33%

Revenue

Current revenue is generated from chartering or leasing marine exploration equipment, vessel or services. Total revenues increased by \$2.0 million in 2018 as compared to 2017. The \$2.0 million increase is comprised of a \$1.0 million increase in continuation marine recovery work for Magellan and \$1.0 million of new revenue with CIC, LLC related to mineral services. See NOTE J for further CIC related party information.

Cost and Expenses

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 decreased from \$6.2 million in 2017 to \$5.7 million in 2018. The decrease of \$0.5 million was primarily due to (i) a net decrease of \$0.2 million in personnel expenses attributable to regular, incentive and share-based compensation, (ii) a decrease of \$0.4 million in admiralty legal support and (iii) a \$0.1 million increase in our management related insurance policy.

Operations and research expenses primarily include all costs within Archaeology, Conservation, Exhibits, Research, and Marine Operations, which include all vessel and charter operations. For 2018, Operations and research expenses were \$3.7

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million compared to \$3.4 million for the same period in 2017. The variance of \$0.3 million was primarily due to (i) a \$1.0 million increase, which is offset by the additional revenue, in marine services costs which include technical crew costs as well as other marine operational costs such as equipment rental, fuel, port fees and consumables, (ii) a decrease of \$0.2 million in general operations support services overhead which includes insurances, depreciation, travel and professional services, (iii) a net gain of \$0.7 million on the sale of certain marine assets and (iv) a \$0.2 million increase attributable to mineral support services for a client which is offset by the additional revenue.

Other Income or Expense

Other income and expense has generally consisted of interest expense and derivative fair value accounting associated with certain of our convertible instruments. Other income and expense increased from an expense of \$2.7 million in 2017 to an expense of \$3.0 million in 2018, an increase of \$0.3 million which primarily resulted from an increase of \$0.4 million in interest expense due to new debt and the application of a default interest rate on two of our loans offset by \$0.1 million of interest earned related to the HMS *Sussex* deposit. See NOTE H for related debt details.

Income Taxes and Non-Controlling Interest

We did not incur any taxes in 2018, 2017 or 2016.

Starting in 2013, we became the controlling shareholder of Oceanica. Our financial statements thus include the financial results of Oceanica and its subsidiary. Except for intercompany transactions that are eliminated upon consolidation, Oceanica's revenues and expenses, in their entirety, are shown in our consolidated financial statements. The share of Oceanica's net losses corresponding to the equity of Oceanica not owned by us is subsequently shown as the "Non-Controlling Interest" in the consolidated statements of operations. The non-controlling interest adjustment for 2018 was \$3.9 million as compared to \$3.3 million for 2017. The administrative support has been ongoing in support of the legal process in obtaining the environmental application for our Mexican subsidiary. This increase was mainly attributable to the compounding debt interest on our Mexican subsidiary's balance sheet.

Liquidity and Capital Resources

(Dollars in thousands)	2018	2017
Summary of Cash Flows:		
Net cash (used) by operating activities	\$(6,471)	\$(5,851)
Net cash provided by investing activities	994	80
Net cash provided by financing activities	7,156	5,216
Net increase (decrease) in cash and cash equivalents	\$ 1,679	\$ (555)
Beginning cash and cash equivalents	1,108	1,663
Ending cash and cash equivalents	<u>\$ 2,787</u>	<u>\$ 1,108</u>

Discussion of Cash Flows

Net cash used by operating activities in 2018 was \$6.5 million, an increase of \$0.6 million compared to 2017. The 2018 operating cash flows primarily reflected a net loss before non-controlling interest of \$9.1 million offset by non-cash items of \$0.1 million which include share-based compensation of \$0.3 million, depreciation and amortization of \$0.5 million, interest accretion of \$0.1 million and an investment in an unconsolidated entity of \$(0.8) million. Included in this reconciliation of cash flows from operations is a gain on sale of equipment for \$(0.9) million. Other working capital changes (including non-current assets) resulted in an increase in working capital of \$3.5 million. This is primarily a result of a \$1.6 million increase in accrued expense, \$0.5 million decrease accounts payable, \$0.8 million decrease in accounts receivable and \$0.1 million decrease in other assets. The change in accrued expenses is mainly due to the increase of accrued interest on our financial debt.

Net cash used by operating activities in 2017 was \$5.9 million, or an improvement of \$2.4 million compared to 2016. The 2017 operating cash flows primarily reflected a net loss before non-controlling interest of \$11.0 million offset by non-cash items of \$2.0 million which include share-based compensation of \$0.8 million, depreciation and amortization of \$0.8 million, and other items, which includes, interest accretion, and other, for \$0.4 million. Other working capital changes (including non-current assets) resulted in an increase in working capital of \$3.2 million. This is primarily a result of a \$1.9 million increase in accrued expense, \$1.0 million increase accounts payable, \$0.2 million increase in accounts receivable and \$0.1 million increase in other assets. The change in accrued expenses is mainly due to the increase of accrued interest on our financial debt.

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Cash flows from investing activities in 2018 were \$1.0 million as the result of the sale of marine equipment.

Cash flows from investing activities in 2017 were \$0.1 million as the result of the sale of marine equipment.

In 2018, we borrowed the final tranche of \$0.4 million from MINOSA, \$0.5 million from SMOM and \$1.0 million from Monaco and an operating loan of \$1.1 million from an investor (see NOTE H). This cash inflow was partially offset by repayment of debt obligations of \$0.3 million. During the fourth quarter of 2018, we issued new equity in an equity offering netting the Company \$4.6 million.

Cash flows provided by financing activities in 2017 were \$5.2 million. During this period, we borrowed \$3.0 million from SMOM (see NOTE H) and \$2.6 million from MINOSA (See NOTE H). The \$5.6 million of new debt was offset in part by \$0.4 million of payments on financing arrangements.

General Discussion 2018

At December 31, 2018, we had cash and cash equivalents of \$2.8 million, an increase of \$1.7 million from the December 31, 2017 balance of \$1.1 million. This increase was mainly attributable to the \$0.9 million gain on sale of marine equipment, \$1.9 million of new debt financings and \$4.6 million received from the issuance of new common shares offset by cash used by operations of \$6.5 million.

Financial debt of the company, excluding the derivative or beneficial conversion feature components of such debt, increased by \$3.0 million in 2018, from a balance of \$27.4 million at December 31, 2017 to a balance of \$30.4 million at December 31, 2018. This is due to the Monaco loan of \$1.0 million, the final tranche of debt provided by MINOSA in the amount of \$0.4 million, \$0.5 million from SMOM and \$1.1 million from a new investor, all of which are discussed above in the Discussion of Cash Flows (see NOTE H).

During the fourth quarter of 2018, we entered into a securities purchase agreement with certain investors pursuant to which we sold an aggregate of 700,000 shares of our common and warrants to purchase up to 700,000 shares of common stock to such investors. The proceeds received from this transaction were approximately \$4.6 million (see NOTE L).

Since SEMARNAT initially declined to approve the environmental permit application of our Mexican subsidiary in April 2016 and again in October 2018, even when the ruling of the Superior Court of the Federal Court of Administrative Justice in Mexico nullified SEMARNAT's initial denial, we continue to support the efforts of our subsidiaries and partners to work through the administrative, legal and political process necessary to have the decision reviewed and overturned. The process is expected to conclude in 2019.

2017 Compared to 2016

	Increase/(Decrease) (Dollars in millions)	2017	2016	2017 vs. 2016	
				\$	%
Total revenue		\$ 1.2	\$ 4.7	\$(3.4)	73%
Marketing, general and administrative		6.2	7.9	(1.7)	23
Operations and research		3.4	8.3	(4.8)	58
Gain on sale of marine assets		—	(1.0)	1.0	100
Total operating expenses		\$ 9.6	\$15.2	\$(5.6)	37%
Other income (expense)		\$(2.7)	\$ 1.5	\$(4.1)	281%
Income tax benefit (provision)		\$ 0.0	\$ 0.0	\$ 0.0	0%
Non-controlling interest		\$ 3.3	\$ 2.8	\$ 0.5	18%
Net income (loss)		\$(7.8)	\$(6.3)	\$(1.4)	23%

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Revenue

Current revenue is generated from chartering or leasing our marine exploration equipment, vessel and services. Total revenues decreased by \$3.4 million in 2017 as compared to 2016. 2017 includes shipwreck explorations for Magellan while 2016 includes an executed marine survey services contract as well as shipwreck exploration services for Magellan.

Cost and Expenses

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 decreased from \$7.9 million in 2016 to \$6.2 million in 2017. The decrease of \$1.8 million was primarily due to (i) a decrease of \$1.9 million in personnel expenses resulting from regular, incentive and share-based compensation, (ii) an increase of \$0.4 million in admiralty legal support and (iii) a \$0.2 million reduction in general corporate overhead supportive expenses.

Operations and research expenses primarily include all costs within Archaeology, Conservation, Exhibits, Research, and Marine Operations, which include all vessel and charter operations. For 2017, Operations and research expenses were \$3.4 million compared to \$8.3 million for the same period in 2016. The variance of \$4.8 million was primarily due to (i) a \$4.3 million reduction of marine services costs which include technical crew costs as well as other marine operational costs such as equipment rental, fuel, port fees and consumables and (ii) a decrease of \$0.5 million in general operations support services overhead which includes insurances, depreciation, travel and professional services. 2016 included the full-time operations of our vessel, the *Odyssey Explorer*, which was sold in mid-2016. The 2016 \$1.0 million gain on the sale of marine assets was due to the sale of the *Odyssey Explorer* and one other marine asset.

Other Income or Expense

Other income and expense has generally consisted of interest expense and derivative fair value accounting associated with certain of our convertible instruments. Other income and expense decreased from an income of \$1.5 million in 2016 to an expense of \$2.7 million 2017, a decrease of \$4.1 million which primarily resulted from (i) 2016 included \$3.4 million of fair value derivative income from accounting mainly related to the Monaco loans which is not in 2017, (ii) 2016 included \$0.4 of from the MINOSA Call Option which is not in 2017 and (iii) an increase of \$0.3 million of interest expense due to accretion of a beneficial conversion feature bifurcated from the Epsilon and Monaco notes and an increase in Epsilon debt principal and other financings. See NOTE H for related debt details.

Income Taxes and Non-Controlling Interest

We did not incur any income taxes in 2017, 2016 or 2015.

Starting in 2013, we became the controlling shareholder of Oceanica. Our financial statements thus include the financial results of Oceanica and its subsidiary. Except for intercompany transactions that are eliminated upon consolidation, Oceanica's revenues and expenses, in their entirety, are shown in our consolidated financial statements. The share of Oceanica's net losses corresponding to the equity of Oceanica not owned by us is subsequently shown as the "Non-Controlling Interest" in the consolidated statements of operations. The non-controlling interest adjustment for 2017 was \$3.3 million as compared to \$2.8 million for 2016. The administrative support has been ongoing in support of the legal process in obtaining the environmental application for our Mexican subsidiary. This increase was mainly attributable to the compounding debt interest on our Mexican subsidiary's balance sheet.

Liquidity and Capital Resources

(Dollars in thousands)	2017	2016
Summary of Cash Flows:		
Net cash (used) by operating activities	\$(5,851)	\$(8,305)
Net cash provided by investing activities	80	70
Net cash provided by financing activities	5,216	7,656
Net (decrease) in cash and cash equivalents	\$ (555)	\$ (579)
Beginning cash and cash equivalents	1,663	2,242
Ending cash and cash equivalents	<u>\$ 1,108</u>	<u>\$ 1,663</u>

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Discussion of Cash Flows

Net cash used by operating activities in 2017 was \$5.9 million, or an improvement of \$2.4 million compared to 2016. The 2017 operating cash flows primarily reflected a net loss before non-controlling interest of \$11.0 million offset by non-cash items of \$2.0 million which include share-based compensation of \$0.8 million, depreciation and amortization of \$0.8 million, and other items, which includes, interest accretion, and other, for \$0.4 million. Other working capital changes (including non-current assets) resulted in an increase in working capital of \$3.2 million. This is primarily a result of a \$1.9 million increase in accrued expense, \$1.0 million increase accounts payable, \$0.2 million increase in accounts receivable and \$0.1 million increase in other assets. The change in accrued expenses was mainly due to the increase of accrued interest on our financial debt.

Net cash used by operating activities in 2016 was \$8.3 million, or an improvement of \$8.9 million compared to 2015, primarily as a result of an improvement in the net result before adjustment for the non-controlling interest. The 2016 operating cash flows primarily reflected a net loss before non-controlling interest of \$9.1 million offset by non-cash items of \$1.2 million which include share-based compensation of \$1.7 million, depreciation and amortization of \$1.1 million, change in derivative fair values of (\$3.4 million), non-cash gain on sale marine equipment of (\$1.0 million) and other items, which includes, interest accretion, prior year director fees settled with equity and other, for \$0.4 million. Other working capital changes (including non-current assets) resulted in an increase in working capital of \$2.0 million. This is primarily a result of a \$2.3 million increase in accrued expense offset by a net decrease in other items of (\$0.3 million). The change in accrued expenses was mainly due to the increase of accrued interest on our financial debt.

Cash flows from investing activities in 2017 were \$0.1 million as the result of the sale of marine equipment.

Cash flows from investing activities in 2016 were \$0.1 million as the result of the sale of our vessel, *Odyssey Explorer*, offset mainly by purchases of marine equipment.

Cash flows provided by financing activities in 2017 were \$5.2 million. During this period, we borrowed \$3.0 million from SMOM (see NOTE H) and \$2.6 million from MINOSA (See NOTE H). The \$5.6 million of new debt was offset in part by \$0.4 million of payments on financing arrangements.

Cash flows provided by financing activities in 2016 were \$7.7 million. During this period, we borrowed \$6.0 million from Epsilon (see NOTE H) and \$1.8 million from Monaco (See NOTE H). The \$7.8 million of new debt was offset in part by \$0.1 million of payments on financing arrangements.

General Discussion 2017

At December 31, 2017, we had cash and cash equivalents of \$1.1 million, a decrease of \$0.6 million from the December 31, 2016 balance of \$1.6 million. This decrease was mainly attributable to the \$5.9 million change in cash used in operations offset with a net increase in debt financing of \$5.3 million.

On May 4, 2017, we entered into a Loan and Security Agreement (“Loan Agreement”) with SMOM Limited (“SMOM”). Pursuant to the Loan Agreement, SMOM agreed to loan us up to \$3.0 million in convertible promissory notes. As a commitment fee, we assigned the remaining 50% of our Neptune Minerals, LLC receivable to SMOM. This receivable had zero carrying value on our balance sheet. We received advances of \$3.0 million under this agreement of which we received \$750,000 in February 2017 and \$2,250,000 in April 2017. The indebtedness bears interest at a rate of 10% per annum and matures on the second anniversary of this Loan Agreement. The holder has the option to convert any unpaid principal and interest into up to 50% of the equity interest held by Odyssey in Aldama Mining Company, S.de R.L. de C.V., which is a wholly owned subsidiary of ours. The conversion value of \$1.0 million equates to 10% of the equity interest in Aldama. If the holder elects to acquire the entire 50.0% of the equity interest, but the amount of debt and interest accumulated to be converted is insufficient to acquire the entire 50% equity interest, the Holder must pay the deficiency in cash. As additional consideration for the loan, the holder has the right to purchase from Odyssey all or a portion of the equity collateral (up to the 50% of the equity interest of Aldama) for the option consideration (\$1.0 million for each 10% of equity interests) during the period that is the later of (i) one year after the maturity date and (ii) one year after the loan is repaid in full. The lender may also choose to extend the expiration date annually by paying \$500,000 for each year extended. See NOTE H for further information.

On August 10, 2017, Odyssey Marine Exploration, Inc. (“Odyssey”) and Odyssey Marine Enterprises, Ltd., an indirect, wholly owned subsidiary of Odyssey (“OME”), entered into a Note Purchase Agreement (the “Minosa Purchase Agreement”) with Minera del Norte S.A. de C.V. (“Minosa”). Pursuant to the Minosa Purchase Agreement, Minosa loaned \$750,000 to OME and will consider lending up to an additional \$2.25 million to OME. The indebtedness is evidenced by a secured convertible promissory note (the “Minosa Note”) and bears interest at a rate equal to 10.0% per annum. Unless otherwise

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converted as described below, the entire outstanding principal balance under the Minosa Note and all accrued interest and fees are due and payable upon written demand by Minosa; provided, that Minosa agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Minosa Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that Minosa intends to demand payment. Odyssey unconditionally and irrevocably guaranteed all of OME's obligations under the Minosa Purchase Agreement and the Minosa Note. Minosa has the right to convert all amounts outstanding under the Minosa Note into shares of Odyssey common stock upon 75 days' notice to OME or upon a merger, consolidation, third party tender offer, or similar transaction relating to Odyssey at the conversion price of \$4.41 per share. See below and NOTE H for further information.

Since SEMARNAT initially declined to approve the Don Diego environmental permit application in April 2016, we have been supporting the efforts of our subsidiaries and partners to work through the administrative, legal and political process necessary to have the decision reviewed and overturned. The process was expected to be concluded in 2018.

Financings

Stock Purchase Agreement

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

Series	No. of Shares	Price per Share
Series AA-1	8,427,004	\$ 12.00
Series AA-2	7,223,145	\$ 6.00

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

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

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

The Investor may elect to purchase all or a portion of the Series AA-1 Preferred Stock before the other dates set forth above. The initial closing and the closing scheduled for March 1, 2016, have not yet occurred because certain conditions to closing have not yet been satisfied or waived. After completing the purchase of all AA-1 Preferred Stock, the Investor has the right, but not the obligation, to purchase all or a portion the 7,223,145 shares of Series AA-2 Preferred Stock at any time after the closing price of the Common Stock on the NASDAQ Stock Market has been \$15.12 or more for 20 consecutive trading days. The Investor's right to purchase the shares of Series AA-2 Preferred Stock will terminate on the fifth anniversary of the initial closing under the Purchase Agreement.

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

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

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

Subject to the terms set forth in the Purchase Agreement, the Lender provided the Company, through a subsidiary of the Company, with loans of \$14.75 million, the outstanding amount of which, plus accrued interest, will be repaid from the proceeds from the sale of the shares of Series AA-1 Preferred Stock at the initial closing. The outstanding principal balance of the loan at December 31, 2018 was \$14.75 million.

The obligation to repay the loans is evidenced by a promissory note (the "Note") in the amount of up to \$14.75 million and bears interest at the rate of 8.0% per annum, and, pursuant to a pledge agreement (the "Pledge Agreement") between the Lender and Odyssey Marine Enterprises Ltd., an indirect, wholly owned subsidiary of the Company ("OME"), is secured by a pledge of 54.0 million shares of Oceanica Resources S. de R.L., a Panamanian limitada ("Oceanica"), held by OME. In addition, OME and the Lender entered into a call option agreement (the "Oceanica Call"), pursuant to which OME granted the Lender an option to purchase the 54.0 million shares of Oceanica held by OME for an exercise price of \$40.0 million at any time during the one-year period after the Oceanica Call was executed and delivered by the parties. The Oceanica Call option expired on March 11, 2016 without being executed or extended. On December 15, 2015, the Promissory Note was amended to provide that, unless otherwise converted as provided in the Note, the adjusted principal balance shall be due and payable in full upon written demand by MINOSA; provided that MINOSA agrees that it shall not demand payment of the adjusted principal balance earlier than the first to occur of: (i) 30 days after the date on which (x) SEMARNAT makes a determination with respect to the current application for the Manifestacion de Impacto Ambiental relating to our phosphate deposit project, which determination is other than an approval or (y) Enterprises or any of its affiliates withdraws such application without MINOSA's prior written consent; (ii) termination by Odyssey of the Stock Purchase Agreement, dated March 11, 2015 (the "Purchase Agreement"), among Odyssey, MINOSA, and Penelope Mining, LLC (the "Investor"); (iii) the occurrence of an event of default under the Promissory Note; (iv) March 30, 2016; or (v) if and only if the Investor shall have terminated the Purchase Agreement pursuant to Section 8.1(d)(iii) thereof, March 30, 2016. On March 18, 2016 the agreements with MINOSA and Penelope were further amended and extended the maturity date of the loan to March 18, 2017 (see NOTE H). The August 10, 2017 Minosa Purchase Agreement amended the due date of this note to a due date which may be no earlier than December 31, 2017, and that is at least 60 days subsequent to written notice that Minosa intends to demand payment. We have not received any notice the creditor intends to demand payment. See the August 10, 2017 Minosa Purchase Agreement disclosure below. During December 2017 MINOSA transferred this debt to its parent company.

On March 18, 2016, Odyssey entered into a \$3.0 million Note Purchase Agreement with Epsilon Acquisitions LLC (see below and NOTE H).

Epsilon is an investment vehicle of Mr. Alonso Ancira who is Chairman of the Board of AHMSA, an entity that controls MINOSA.

Class AA Convertible Preferred Stock

Pursuant to a certificate of designation (the "Designation") to be filed with the Nevada Secretary of State, each share of Series AA-1 Convertible Preferred Stock and Series AA-2 Convertible Preferred Stock (collectively, the "Class AA Preferred Stock") will be convertible into one share of Common Stock at any time and from time to time at the election of the holder. Each share of Class AA Preferred Stock will rank *pari passu* with all other shares of Class AA Preferred Stock and senior to shares of Common Stock and all other classes and series of junior stock. If the Company declares a dividend or makes a distribution to the holders of Common Stock, the holders of the Class AA Preferred Stock will be entitled to participate in

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the dividend or distribution on an as-converted basis. Each share of Class AA Preferred Stock shall entitle the holder thereof to vote, in person or by proxy, at any special or annual meeting of stockholders, on all matters voted on by holders of Common Stock, voting together as a single class with other shares entitled to vote thereon. So long as a majority of the shares of the Class AA Preferred Stock are outstanding, the Company will be prohibited from taking specified extraordinary actions without the approval of the holders of a majority of the outstanding shares of Class AA Preferred Stock. In the event of the liquidation of the Company, each holder of shares of Class AA Preferred Stock then outstanding shall be entitled to be paid, out of the assets of the Corporation available for distribution to its stockholders, an amount in cash equal to the greater of (a) the amount paid to the Company for such holder's shares of Class AA Preferred Stock, plus an accretion thereon of 8.0% per annum, compounded annually, and (b) the amount such holder would be entitled to receive had such holder converted such shares of Class AA Preferred into Common Stock immediately prior to such time at which payment will be made or any assets distributed.

Stockholder Agreement

The Purchase Agreement provides that, at the initial closing, the Company and the Investor will enter into a stockholder agreement (the "Stockholder Agreement"). The Stockholder Agreement will provide that (a) in connection with each meeting of the Company's stockholders at which directors are to be elected, the Company will (i) nominate for election as members of the Company's board of directors a number of individuals designated by the Investor ("Investor Designees") equivalent to the Investor's proportionate ownership of the Company's voting securities (rounded up to the next highest integer) less the number of Investor Designees who are members of the board of directors and not subject to election at such meeting, and (ii) use its reasonable best efforts to cause such nominees to be elected to the board of directors; (b) the Company will cause one of the Investor Designees to serve as a member of (or at such Investor Designee's election, as an observer to) each committee of the Company's board of directors; and (c) each Investor Designee shall have the right to enter into an indemnification agreement with the Company (an "Indemnification Agreement") pursuant to which such Investor Designee is indemnified by the Company to the fullest extent allowed by Nevada law if, by reason of his or her serving as a director of the Company, such Investor Designee is a party or is threatened to be made a party to any proceeding or by reason of anything done or not done by such Investor Designee in his or her capacity as a director of the Company.

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

Other loans

Promissory Note

On May 3, 2017, we entered into a Loan and Security Agreement ("Loan Agreement") with SMOM. Pursuant to the Loan Agreement, SMOM agreed to loan us up to \$3.0 million as evidenced by a convertible promissory note. As a commitment fee, we assigned the remaining 50% of our Neptune Minerals, LLC receivable to SMOM. This receivable had zero carrying value on our balance sheet and due to the age and collectability was deemed to have no fair value. The indebtedness bears interest at a rate of 10% per annum and matures on the second anniversary of this Loan Agreement which is May 3, 2019. On April 20, 2018, the loan was amended, and the principal amount of the Loan was increased to \$3.5 million. The loan balance at December 31, 2018 is \$3.5 million. The holder has the option to convert up to \$2.0 million of any unpaid principal and interest into up to 50% of the equity interest held by Odyssey in Aldama Mining Company, S.de R.L. de C.V., which is a wholly owned subsidiary of ours. The conversion value of \$1.0 million equates to 10% of the equity interest in Aldama. If the holder elects to acquire the entire 50% of the equity interest, the Holder must pay the deficiency in cash. As additional consideration for the loan, the holder has the right to purchase from Odyssey all or a portion of the equity collateral (up to the 50% of the equity interest of Aldama) for the option consideration (\$1.0 million for each 10% of equity interests) during the period that is the later of (i) one year after the maturity date and (ii) one year after the loan is repaid in full. The lender may also choose to extend the expiration date annually by paying \$500,000 for each year extended (See NOTE H for further information).

Promissory Note

On August 10, 2017, we entered into a Note Purchase Agreement (the “Minosa Purchase Agreement”) with MINOSA. Pursuant to the Minosa Purchase Agreement, whereas MINOSA will loan Enterprises up to \$3.0 million. During 2018, this debt was fully funded and Epsilon assigned \$2.0 million of its debt to MINOSA. At December 31, 2018, the outstanding principal balance, including the Epsilon assignment, is \$5.1 million. The indebtedness is evidenced by a secured convertible promissory note (the “Minosa Note”) and bears interest at a rate equal to 10.0% per annum. Unless otherwise converted as described below, the entire outstanding principal balance under this Minosa Note and all accrued interest and fees are due and payable upon written demand by MINOSA; provided, that MINOSA agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Minosa Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that MINOSA intends to demand payment. MINOSA has not provided any notice they intend to issue a payment demand notice. We unconditionally and irrevocably guaranteed all of the obligations under the Minosa Purchase Agreement and the Minosa Note. MINOSA has the right to convert all amounts outstanding under the Minosa Note into shares of our common stock upon 75 days’ notice to us or upon a merger, consolidation, third party tender offer, or similar transaction relating to us at the conversion price of \$4.41 per share. During December 2017 MINOSA transferred this debt to its parent company.

The Minosa Purchase Agreement did not contain any embedded terms or features that have characteristics of derivatives. However, we were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The calculation of the effective conversion amount did result in a BCF because the effective conversion price was less than the Company’s stock price on the date of issuance, therefore a BCF of \$62,925 was recorded. As of December 31, 2017, all of the BCF has been accreted to the income statement. The BCF represented a debt discount which is being amortized over the life of the loan.

As previously reported, Epsilon loaned us an aggregate of \$6.0 million pursuant to an amended and restated convertible promissory note, dated as of March 18, 2016, as further amended and restated on October 1, 2016 (the “Epsilon Note”). Since then, Epsilon has assigned \$2.0 million of the indebtedness under the Epsilon Note to MINOSA. Along with Epsilon, we entered into a second amended and restated convertible promissory note (the “Second AR Epsilon Note”), which further amends and restates the Epsilon Note. The stated principal amount of the Second AR Epsilon Note is \$1.0 million (which reflects the outstanding principal balance remaining after giving effect to Epsilon’s (x) previous assignment of \$2.0 million of the indebtedness under the Epsilon Note to MINOSA and (y) conversion of \$3.0 million of the indebtedness under the Epsilon Note into shares of our common stock). The Second AR Epsilon Note further provides that the outstanding principal balance under the Second AR Epsilon Note and all accrued interest and fees are due and payable upon written demand by Epsilon; provided, that Epsilon agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Second AR Epsilon Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that MINOSA intends to demand payment.

Upon the closing of the Minosa Purchase Agreement, MINOSA and Penelope Mining LLC, an affiliate of Minosa (“Penelope”), executed and delivered a Second Amended and Restated Waiver and Consent and Amendment No. 5 to Promissory Note and Amendment No. 2 to Stock Purchase Agreement (the “Second AR Waiver”). Pursuant to the Second AR Waiver, Minosa and Penelope consented to the transactions contemplated by the Minosa Purchase Agreement and waived any breach of any representation or warranty and violation of any covenant in the Stock Purchase Agreement, dated as of March 11, 2015, as amended April 10, 2015 (the “SPA”), by and among us, Minosa, and Penelope, arising out of the Company’s execution and delivery of the Minosa Purchase Agreement and the consummation of the transactions contemplated thereby. Pursuant to the Second AR Waiver, we also waived, and agreed not to exercise our right to terminate the SPA pursuant to Section 8.1(c)(ii) thereto, both (a) until after the earlier of (i) July 1, 2018, (ii) the date that MINOSA fails, refuses, or declines to fund (or otherwise does not fund) any subsequent loan under the Minosa Purchase Agreement and (iii) demand is made for repayment of all or any part of the indebtedness outstanding under the Minosa Note, the Second AR Epsilon Note, or the Promissory Note, dated as of March 11, 2015, as amended (the “SPA Note”), in the principal amount of \$14.75 million that was issued by us to MINOSA under the SPA, and (b) unless on or prior to such termination, the Notes are paid in full.

The Second AR Waiver (x) further provides that following any conversion of the indebtedness evidenced by the Minosa Note, Penelope may elect to reduce its commitment to purchase our preferred stock under the SPA by the amount of indebtedness converted by MINOSA and (y) amends the SPA Note to provide that the outstanding principal balance under the SPA Note and all accrued interest and fees are due and payable upon written demand by MINOSA; provided, that Minosa agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Minosa Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that Minosa intends to demand payment.

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The obligations under the Minosa Note may be accelerated upon the occurrence of specified events of default including (a) our failure to pay any amount payable under the Minosa Note on the date due and payable; (b) our failure to perform or observe any term, covenant, or agreement in the Minosa Note or the related documents, subject to a five-day cure period; (c) the occurrence and expiration of all applicable grace periods, if any, of an event of default or material breach by us under any of the other loan documents; (d) the termination of the SPA; (e) commencement of certain specified dissolution, liquidation, insolvency, bankruptcy, reorganization, or similar cases or actions by or against us, in specified circumstances unless dismissed or stayed within 60 days; (f) the entry of a judgment or award against us in excess of \$100,000; and (g) the occurrence of a change in control (as defined in the Minosa Note).

Pursuant to second amended and restated pledge agreements (the “Second AR Pledge Agreements”) entered into by us in favor of MINOSA, we pledged and granted security interests to MINOSA in (a) the 54 million cuotas (a unit of ownership under Panamanian law) of Oceanica held by us, (b) all notes and other receivables from Oceanica and its subsidiary owed to us, and (c) all of the outstanding equity in our wholly owned subsidiary, Odyssey Marine Enterprises, Ltd.

In connection with the execution and delivery of the Minosa Purchase Agreement, Odyssey and MINOSA entered into a second amended and restated registration rights agreement (the “Second AR Registration Rights Agreement”) pursuant to which Odyssey agreed to register the offer and sale of the shares (the “Conversion Shares”) of our common stock issuable upon the conversion of the indebtedness evidenced by the Minosa Note. Subject to specified limitations set forth in the Second AR Registration Rights Agreement, including that we are eligible to use Form S-3, the holder of the Minosa Note can require us to register the offer and sale of the Conversion Shares if the aggregate offering price thereof (before any underwriting discounts and commissions) is not less than \$3.0 million. In addition, we agreed to file a registration statement relating to the offer and sale of the Conversion Shares on a continuous basis promptly (but in no event later than 60 days after) after the conversion of the Minosa Note into the Conversion Shares and to thereafter use its reasonable best efforts to have such registration statement declared effective by the Securities and Exchange Commission.

Promissory Note

During the period ended March 31, 2018, Monaco advanced us \$1.0 million that was converted to a loan agreement that was executed April 20, 2018. The indebtedness bears interest at 10.0% percent per year. All principal and any unpaid interest is to be payable on the first anniversary of this agreement, April 20, 2019. This debt is secured by cash proceeds, if any, from our future shipwreck projects we have contracted with Magellan. As additional consideration, their share purchase option expiration date, as discussed in Note 1 – Monaco 2014 and Note 2 – Monaco 2016 above, has been extended from 30 days to seven months after the note becomes paid in full.

Promissory Note

On July 12, 2018, we entered into a Note and Warrant Purchase Agreement (the “Purchase Agreement”) with two individuals (the “Lenders”), one of whom holds in excess of 5.0% of our outstanding common stock. Pursuant to the Purchase Agreement, the Lenders agreed to lend an aggregate of \$1,050,000 to us, which was advanced in three tranches on July 12, 2018, \$500,000, August 17, 2018, \$300,000 and October 4, 2018, \$250,000. The indebtedness is evidenced by secured convertible promissory notes (the “Notes”) and bears interest at a rate equal to 8.0% per annum. Unless otherwise converted as described below, the entire outstanding principal balance under the Notes and all accrued interest and fees are due and payable on July 12, 2019.

At any time after to the first to occur of (a) a sale by us of additional Notes or (b) September 12, 2018, the Lenders have the right to convert all amounts outstanding under the Notes into either (x) shares of our common stock at the conversion rate of \$8.00 per share, (y) \$500,000 of the indebtedness owed by Exploraciones Oceanicas S. de R. L. de C.V. (“ExO”) to Oceanica Marine Operations, S.R.L. (“OMO”), or (z) a 7.5% interest in Aldama Mining Company, S. de R. L. de C.V. (“Aldama”). We indirectly hold a controlling interest in ExO; OMO and Aldama are indirect, wholly owned subsidiaries of ours.

In connection with the issuance and sale of the Notes, we issued warrants to purchase common stock (the “Warrants”) to the Lenders. The Lenders may exercise the Warrants to purchase an aggregate of 50,000 shares of our common stock at an exercise price of \$12.00 per share. The Warrants are exercisable during the period commencing on the date on which the Notes are converted into shares of our common stock and ending on July 12, 2021.

Pursuant to a Pledge Agreement, dated as of July 12, 2018 (the “Pledge Agreement”), our obligations under the Notes are secured by a pledge of a portion of Odyssey’s ownership interest in Aldama and another entity.

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Pursuant to a Registration Rights Agreement (the “Rights Agreement”) among us and the Lenders, we granted the Lenders “piggy-back” registration rights with respect to the shares of our common stock issuable upon conversion of the Notes and the exercise of the Warrants.

The Purchase Agreement, the Notes, the Warrants, the Pledge Agreement, and the Rights Agreement include representations and warranties and other covenants, conditions, and other provisions customary for comparable transactions.

Going Concern Consideration

We have experienced several years of net losses and may continue to do so. Our ability to generate net income or positive cash flows for the following twelve months is dependent upon our success in developing and monetizing our interests in mineral exploration entities, generating income from exploration charters, collecting on amounts owed to us, and completing the MINOSA/Penelope equity financing transaction approved by our stockholders on June 9, 2015.

Our 2019 business plan requires us to generate new cash inflows to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of our receivables and equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. If cash inflow is not sufficient to meet our desired projected business plan requirements, we will be required to follow a contingency business plan which is based on curtailed expenses and fewer cash requirements. On March 11, 2015, we entered into a Stock Purchase Agreement with Minera del Norte S.A. de c.v. (“MINOSA”) and Penelope Mining LLC (“Penelope”), an affiliate of MINOSA, pursuant to which (a) MINOSA agreed to extend short-term, debt financing to Odyssey of up to \$14.75 million, and (b) Penelope agreed to invest up to \$101 million over three years in convertible preferred stock of Odyssey. The equity financing is subject to the satisfaction of certain conditions, including the approval of our stockholders which occurred on June 9, 2015, and MINOSA and Penelope are currently under no obligation to make the preferred share equity investments. (See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financings.)

Our consolidated non-restricted cash balance at December 31, 2018 was \$2.8 million which is insufficient to support operations for the following 12 months. We have a working capital deficit at December 31, 2018 of \$37.4 million. Our largest loan of \$14.75 million from MINOSA had a due date of December 31, 2017 which is now linked to other stipulations, see NOTE H for further detail. The majority of our remaining assets have been pledged to MINOSA, and its affiliates, and to Monaco Financial LLC, leaving us with few opportunities to raise additional funds from our balance sheet. The total consolidated book value of our assets was approximately \$5.4 million at December 31, 2018 and the fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangement with Penelope, Penelope must purchase the shares for us to be able to complete the equity component of the transaction. The Penelope equity transaction is heavily dependent on the outcome of our subsidiary’s application approval process for an environmental permit to commercially develop a mineralized phosphate deposit off the coast of Mexico. The factors noted above raise doubt about our ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

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, 2018.

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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 United States. The preparation of these financial statements requires us to make estimates and judgments that affect our financial position and results of operations. See NOTE A to the Consolidated Financial Statements for a description of our significant accounting policies. Critical accounting estimates are defined as those that are reflective of significant judgment and uncertainties, and potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting estimates. We have discussed the development, selection and disclosure of these policies with our audit committee.

Long-Lived Assets

As of December 31, 2018, we had approximately \$0.1 million of net property and equipment and related assets. Our policy is to recognize impairment losses relating to long-lived assets in accordance with the ASC topic for Property, Plant and Equipment. Impairment decisions are based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows.

Realizability of Deferred Tax Assets

We have recorded a net deferred tax asset of \$0 at December 31, 2018. As required by the ASC topic for Accounting for Income Taxes, we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery and rights of ownership or salvage rights of high value shipwrecks or the monetization of our mineral exploration stakes and thus a valuation allowance of \$52.7 million has been recorded as of December 31, 2018.

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. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles state an estimate is to be made for an allowance for doubtful accounts. The effect of using the direct write-off method, however, is not materially different from the results that would have been obtained had the allowance method been followed. If we were to have a recorded allowance, the accounts receivable would be stated net the recorded allowance.

Derivative Financial Instruments

From time to time, we may enter into a financial instrument that may contain a derivative. In evaluating fair value of derivative financial instruments, there are numerous assumptions which management must make that may influence the valuation of the derivatives that would be included in the financial statements.

Contractual Obligations

At December 31, 2018, the Company did not have any contractual obligations that extended beyond 12 months. In January 2016, we entered into a three-year operating lease for our headquarter offices with Monaco Financial, LLC, a related party. During October 2018, Monaco sold the building and the new owner has assumed the lease under the same terms. This operating lease is cancellable upon nine months notice.

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 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.

We currently do not have any debt obligations or instruments that expose us to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears beginning on page 28.

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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 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 Interim 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. There have been no significant changes in the Company's internal controls over financial reporting as of December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 26, 2019, our Board of Directors (the "Board") adopted the 2019 Stock Incentive Plan (the "Plan"), subject to stockholder approval. The Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units and stock appreciation rights. "The Plan" will be submitted to our stockholders for approval at the 2019 Annual Meeting of Stockholders. Up to 800,000 shares may be issued pursuant to awards under "The Plan", of which any number may be used for stock options, restricted stock, restricted stock units, or stock appreciation rights. Eligible recipients consist of employees of the Company or any subsidiary who hold a position that is important to the success of the Company, members of the Board, and consultants or advisors who are eligible to receive shares that are registered on SEC Form S-8.

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 Stockholders to be held on June 3, 2019.

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.odysseymarine.com). 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 and Related Information" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 "Security Ownership of Certain Beneficial Owners and Management" 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 27.
- (b) Consolidated Financial Statement Schedules See “Index to Consolidated Financial Statements” on page 27.

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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**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
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, 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Odyssey Marine Exploration, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, 2017, and 2016, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, 2017, and 2016, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note O to the consolidated financial statements, the Company has incurred significant losses and they may be unsuccessful in raising the necessary capital to fund operations and capital expenditures. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are also described in Note O. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

We have served as the Company's auditor since 1998.

Tampa, Florida
March 11, 2019

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,786,832	\$ 1,108,193
Restricted cash	10,135	10,010
Accounts receivable and other, net	789,421	232,380
Other current assets	<u>1,016,136</u>	<u>495,527</u>
Total current assets	<u>4,602,524</u>	<u>1,846,110</u>
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	11,033,536	16,738,898
Accumulated depreciation	<u>(10,915,557)</u>	<u>(16,145,082)</u>
Total property and equipment	<u>117,979</u>	<u>593,816</u>
NON-CURRENT ASSETS		
Investment in unconsolidated entity	752,667	—
Other non-current assets	<u>—</u>	<u>532,500</u>
Total non-current assets	<u>752,667</u>	<u>532,500</u>
Total assets	<u>\$ 5,473,170</u>	<u>\$ 2,972,426</u>
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 2,772,423	\$ 2,396,835
Accrued expenses	9,804,546	6,551,335
Loans payable	<u>29,448,988</u>	<u>24,363,442</u>
Total current liabilities	<u>42,025,957</u>	<u>33,311,612</u>
LONG-TERM LIABILITIES		
Loans payable	—	3,000,000
Deferred income and revenue participation rights	<u>4,643,750</u>	<u>4,643,750</u>
Total long-term liabilities	<u>4,643,750</u>	<u>7,643,750</u>
Total liabilities	<u>46,669,707</u>	<u>40,955,362</u>
Commitments and contingencies (NOTE O)		
STOCKHOLDERS' EQUITY/(DEFICIT)		
Preferred stock – \$.0001 par value; 24,984,166 shares authorized; none outstanding	—	—
Common stock – \$.0001 par value; 75,000,000 shares authorized; 9,222,199 and 8,466,909 issued and outstanding	922	847
Additional paid-in capital	217,993,953	212,103,344
Accumulated (deficit)	<u>(239,882,346)</u>	<u>(234,709,910)</u>
Total stockholders' equity/(deficit) before non-controlling interest	<u>(21,887,471)</u>	<u>(22,605,719)</u>
Non-controlling interest	<u>(19,309,066)</u>	<u>(15,377,217)</u>
Total stockholders' equity/(deficit)	<u>(41,196,537)</u>	<u>(37,982,936)</u>
Total liabilities and stockholders' equity/(deficit)	<u>\$ 5,473,170</u>	<u>\$ 2,972,426</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, 2018	12 Month Period Ended December 31, 2017	12 Month Period Ended December 31, 2016
REVENUE			
Recovered cargo sales and other	\$ 835,756	\$ 11,854	\$ 7,057
Expedition	<u>2,439,997</u>	<u>1,236,623</u>	<u>4,675,978</u>
Total revenue	<u>3,275,753</u>	<u>1,248,477</u>	<u>4,683,035</u>
OPERATING EXPENSES			
Operations and research	3,688,560	3,438,389	8,267,401
Gain on sale of marine assets	—	—	(992,595)
Marketing, general and administrative	<u>5,654,409</u>	<u>6,167,181</u>	<u>7,959,122</u>
Total operating expenses	<u>9,342,969</u>	<u>9,605,570</u>	<u>15,233,928</u>
LOSS FROM OPERATIONS	(6,067,216)	(8,357,093)	(10,550,893)
OTHER INCOME OR (EXPENSE)			
Interest income	56,408	112	—
Interest expense	(3,142,280)	(2,727,235)	(2,396,994)
Change in derivative liabilities fair value	—	—	3,402,416
Other	<u>48,803</u>	<u>63,074</u>	<u>467,396</u>
Total other income or (expense)	<u>(3,037,069)</u>	<u>(2,664,049)</u>	<u>1,472,818</u>
LOSS BEFORE INCOME TAXES	(9,104,285)	(11,021,142)	(9,078,075)
Income tax benefit (provision)	—	—	—
NET (LOSS) BEFORE NON-CONTROLLING INTEREST	(9,104,285)	(11,021,142)	(9,078,075)
Non-controlling interest	<u>3,931,849</u>	<u>3,261,670</u>	<u>2,762,054</u>
NET (LOSS)	<u>\$(5,172,436)</u>	<u>\$ (7,759,472)</u>	<u>\$ (6,316,021)</u>
LOSS PER SHARE			
Basic and diluted	\$ (0.60)	\$ (0.95)	\$ (0.84)
Weighted average number of common shares outstanding			
Basic and diluted	8,583,795	8,209,539	7,564,082

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, 2018	12 Month Period Ended December 31, 2017	12 Month Period Ended December 31, 2016
Preferred Stock – Shares			
At beginning of year	—	—	—
Preferred stock converted to common	—	—	—
At end of year	—	—	—
Common Stock – Shares			
At beginning of year	8,466,909	7,718,366	7,541,111
Common stock issued for cash	700,000	—	—
Common stock issued for settlement of senior convertible notes	—	670,455	—
Common stock issued for services	55,290	78,088	177,255
At end of year	9,222,199	8,466,909	7,718,366
Preferred Stock			
At beginning of year	\$ —	\$ —	\$ —
Preferred stock converted to common	—	—	—
At end of year	\$ —	\$ —	\$ —
Common Stock			
At beginning of year	\$ 847	\$ 772	\$ 754
Common stock issued for cash	70	—	—
Common stock issued for settlement of senior convertible notes	—	67	—
Common stock issued for services	5	8	18
At end of year	\$ 922	\$ 847	\$ 772
Paid-in Capital			
At beginning of year	\$ 212,103,344	\$ 207,962,346	\$ 204,438,148
Common stock issued for settlement of senior convertible notes	—	3,352,207	—
Common stock issued for services	—	—	354,155
Share-based compensation	278,941	725,866	1,662,969
Fair value of warrants attached convertible debt	303,812	—	303,712
Beneficial conversion feature on convertible debt	746,187	62,925	630,519
Net gain on debt extinguishment	—	—	572,843
Common stock issued for cash, net	4,561,669	—	—
At end of year	\$ 217,993,953	\$ 212,103,344	\$ 207,962,346
Accumulated Deficit			
At beginning of year	\$(234,709,910)	\$(226,950,438)	\$(220,634,417)
Net (loss)	(5,172,436)	(7,759,472)	(6,316,021)
At end of year	\$(239,882,346)	\$(234,709,910)	\$(226,950,438)
Non-controlling Interest			
At beginning of year	\$ (15,377,217)	\$ (12,115,547)	\$ (9,353,493)
Net (loss)	(3,931,849)	(3,261,670)	(2,762,054)
At end of year	(19,309,066)	(15,377,217)	(12,115,547)
Total stockholders' equity/(deficit)	\$ (41,196,537)	\$ (37,982,936)	\$ (31,102,867)

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

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

	12 Month Period Ended December 31, 2018	12 Month Period Ended December 31, 2017	12 Month Period Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) before non-controlling interest	\$ (9,104,285)	\$(11,021,142)	\$(9,078,075)
Adjustments to reconcile net loss to net cash (used) in operating activities:			
Note payable interest accretion	111,180	384,060	272,826
Senior convertible debt interest settled with common stock issuance	—	302,274	—
Share-based compensation	278,947	725,875	1,662,978
Depreciation and amortization	453,466	760,766	1,063,267
Accounts receivable – reserve	—	—	29,932
Director fees settled with equity instruments	—	—	176,664
Fair value of warrants attached to convertible debt	—	—	303,712
Change in derivatives liabilities fair value	—	—	(3,402,416)
Financed lender fees	—	50,000	50,000
Investment in unconsolidated entity	(752,667)	—	—
Gain on sale of equipment	(897,664)	(289,328)	(992,595)
Deferred revenue	—	—	(383,148)
(Increase) decrease in:			
Accounts receivable	(578,156)	241,426	297,837
Other assets	11,891	113,922	(204,380)
Increase (decrease) in:			
Accounts payable	496,068	999,488	(329,864)
Accrued expenses and other	3,528,805	1,881,977	2,228,070
NET CASH (USED) IN OPERATING ACTIVITIES	(6,452,415)	(5,850,682)	(8,305,192)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment	1,003,662	80,000	200,000
Purchase of property and equipment	(9,624)	—	(129,684)
NET CASH PROVIDED BY INVESTING ACTIVITIES	994,038	80,000	70,316
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of loan payable	1,925,000	5,625,000	7,825,000
Restricted cash held as collateral	(125)	—	(10,000)
Settlement receipts from contractual obligation	15,000,000	—	—
Payment of contractual obligation	(14,000,000)	—	—
Proceeds from sale of common stock	4,561,739	—	—
Repayment of loan and debt obligations	(349,598)	(408,768)	(158,798)
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,137,016	5,216,232	7,656,202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,678,639	(554,450)	(578,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,108,193	1,662,643	2,241,317
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,786,832	\$ 1,108,193	\$ 1,662,643
SUPPLEMENTARY INFORMATION:			
Interest paid	\$ 1,247,337	\$ 622,055	\$ 893,502
Income taxes paid	\$ —	\$ —	\$ —
NON-CASH TRANSACTIONS:			
Accrued and director fees compensation paid by equity instruments	\$ —	\$ —	\$ 177,500
Accounts payables settled as non-cash consideration for the sale of equipment	\$ —	\$ —	\$ 890,598
Asset received as non-cash consideration for the sale of other property and equipment	\$ —	\$ —	\$ 350,000

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Summary of Significant Non-Cash Transactions

During the three months ended March 31, 2018, we converted \$1.0 million of amounts advanced related to the contractual obligation settlement to a loan with Monaco Financial, LLC. During April 2018 the parties agreed to treat \$99,366 of back rent owed by us to Monaco as part of this loan, see NOTE H

During the second quarter 2017, we sold a marine vessel to a related party, Monaco Financial, LLC, for \$650,000. The consideration for this vessel was applied against our loan balance to Monaco in the amount of \$650,000, see NOTE E and NOTE H. During this same period, Epsilon Acquisitions LLC converted \$3,050,000 plus accrued interest of \$302,274 into 670,455 of our common shares, see NOTE H.

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 deep-ocean exploration. Our innovative techniques are currently applied to mineral exploration, shipwreck cargo recovery, and other marine survey and exploration charter services. 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.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which establishes a comprehensive revenue recognition standard under GAAP for almost all industries. The standard applies for annual periods beginning after December 15, 2017, including interim periods therein. Based on management’s review of this standard along with the substance of our transactions, management believes this standard has not had and will not have a material impact on our financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which establishes a comprehensive lease standard under GAAP for virtually all industries. The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales type leases, direct financing leases and operating leases. The standard will apply for annual periods beginning after December 15, 2018, including interim periods therein, and requires modified retrospective application. Early adoption is permitted. Based on management’s current understanding of this standard along with the underlying substance of our operations, management believes it will not have a material impact on our financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718), Scope of Modification Accounting*. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update are now effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Based on management’s understanding of this new standard along with the underlying substance of our operations, this standard has not had and will not have a material impact on our financial statements.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815)*. The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20,

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Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Based on management’s current understanding of this new standard along with the underlying substance of our operations, management believes it will not have a material impact on our financial statements.

In March 2018, the FASB issued ASU No. 2018-05, *Income Taxes* (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendments in this update add various SEC paragraphs pursuant to the issuance of SEC Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (“Act”) (“SAB 118”). The SEC issued SAB 118 to address concerns about reporting entities’ ability to timely comply with the accounting requirements to recognize all of the effects of the Act in the period of enactment. SAB 118 allows a reporting entity to disclose that timely determination of some or all of the income tax effects from the Act are incomplete by the due date of the financial statements and, if possible, to provide a reasonable estimate. The use of reasonable estimates, when needed, have been disclosed in NOTE M of the consolidated financial statements.

Other recent accounting pronouncements issued by the FASB, the AICPA and the SEC did not or are not believed by management to have a material effect, if any, on the Company’s financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, both domestic and international. 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. Some of the existing inter-company balances, which are eliminated upon consolidation, include features allowing the liability to be converted into equity of a subsidiary, which if exercised, could increase the direct or indirect interest of the Company in the non-wholly owned subsidiaries.

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with U.S. GAAP. 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 as well as ASU 2019-09, *Revenue from Contracts: Revenue Recognition*, marine services 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 marine services expedition charter revenue (also referred to as “marine services” revenue) are recorded as incurred and presented under the caption “Operations and research” on our Consolidated Statements of Operations.

Account receivables are based on amounts billed to customers. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles state an estimate is to be made for an allowance for doubtful accounts. The effect of using the direct write-off method, however, is not materially different from the results that would have been obtained had the allowance method been followed. If we were to have a recorded allowance, the accounts receivable would be stated net the recorded allowance.

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Cash and Cash Equivalents

Cash, cash equivalents and restricted cash 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. We have \$10,135 of restricted cash for collateral related to a corporate credit card program.

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. Impairment losses are included in depreciation at the time of impairment.

Property and Equipment and Depreciation

Property and equipment is stated at historical cost. Depreciation is calculated using the straight-line method at rates based on the assets’ estimated useful lives which are normally between three and thirty years. Leasehold improvements are amortized over their estimated useful lives or lease term, if shorter. Items that may require major overhauls (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 was shorter. Certain major repair items required by industry standards to ensure a vessel’s seaworthiness also qualified 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 were accounted for under the direct-expensing method and are expensed when incurred.

The smaller vessel we received as consideration when we sold our *Odyssey Explorer* was sold in May 2017 to a related party to which we are indebted credited us \$650,000 towards the indebtedness owed by us as consideration for their acquisition of this vessel. The amount capitalized for this asset was \$416,329.

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 has income, the Company would calculate basic earnings per share using the two-class method, if required, pursuant to ASC 260 *Earnings Per Share*. The two-class method was required effective with the issuance of certain senior convertible notes in the past because these notes qualified as a participating security, giving the holder the right to receive dividends should dividends be declared on common stock. Under the two-class method, earnings for a 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 issued upon conversion. The Company does not use the two-class method in periods when it generates a loss because the holder of the convertible notes does not participate in losses. Currently, we do not have any outstanding convertible notes that qualify as a participating security.

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. 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, 2018, 2017 and 2016 the weighted average common shares outstanding were 8,583,795, 8,209,539 and 7,564,082, respectively. For the periods ending December 31, 2018, 2017 and 2016 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.

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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>2018</u>	<u>2017</u>	<u>2016</u>
Average market price during the period	\$ 6.81	\$ 3.98	\$ 3.46
In the money potential common shares from options excluded	13,450	7,023	4,979
In the money potential common shares from warrants excluded	50,640	13,869	—

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.

Per share exercise price	<u>2018</u>	<u>2017</u>	<u>2016</u>
Out of the money options excluded:			
\$ 3.59	—	—	7,521
\$12.48	136,833	137,666	137,666
\$12.84	4,167	4,167	4,167
\$26.40	75,158	75,158	75,158
\$34.68	—	—	73,765
\$39.00	—	8,333	8,333
\$41.16	—	—	833
\$42.00	—	—	8,333
\$46.80	—	—	1,667
Out-of-the-money warrants excluded:			
\$ 3.52	—	—	120,000
\$ 7.16	700,000	—	—
\$12.00	60,625	—	—
Total excluded	<u>981,783</u>	<u>225,324</u>	<u>437,443</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>2018</u>	<u>2017</u>	<u>2016</u>
Excluded Convertible Preferred Stock	—	—	—

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>2018</u>	<u>2017</u>	<u>2016</u>
Excluded unvested restricted stock awards	41,667	132,826	113,889

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, 2018</u>	<u>12 Month Period Ended December 31, 2017</u>	<u>12 Month Period Ended December 31, 2016</u>
Net loss	\$(5,172,436)	\$(7,759,472)	\$(6,316,021)
Cumulative dividends on Series G Preferred Stock	—	—	—
Numerator, basic and diluted net loss available to stockholders	\$(5,172,436)	\$(7,759,472)	\$(6,316,021)

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	12 Month Period Ended December 31, 2018	12 Month Period Ended December 31, 2017	12 Month Period Ended December 31, 2016
Denominator:			
Shares used in computation – basic:			
Weighted average common shares outstanding	<u>8,583,795</u>	<u>8,209,539</u>	<u>7,564,082</u>
Shares used in computation – diluted:			
Weighted average common shares outstanding	<u>8,583,795</u>	<u>8,209,539</u>	<u>7,564,082</u>
Net loss per share – basic and diluted	\$ (0.60)	\$ (0.95)	\$ (0.84)

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 L).

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 and mortgage and loans payable. 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. Redeemable preferred stock has been carried at historical cost and accreted 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. 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 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.

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Level 3. Unobservable inputs to the valuation methodology are 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.

Redeemable Preferred Stock

If we issue redeemable preferred stock instruments (or any other redeemable financial instrument), they are initially evaluated for possible classification as a liability in instances where redemption is certain to occur pursuant to ASC 480 – *Distinguishing Liabilities from Equity*. Redeemable preferred stock classified as a liability 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. We have no redeemable preferred stock outstanding for the periods presented.

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. At December 31, 2018 and 2017, our uninsured cash balance was approximately \$2.6 million and \$0.8 million, respectively.

We do not have any outstanding loans that bear variable interest rates thus we do not have any corresponding interest rate risk.

NOTE C – ACCOUNTS RECEIVABLE AND OTHER, NET

Our accounts receivable consisted of the following:

	December 31, 2018	December 31, 2017
Trade	\$ 9,466	\$ 7,376
Related party	664,596	183,453
Other	115,359	41,551
Accounts receivable, net	<u>\$ 789,421</u>	<u>\$ 232,380</u>

Monaco and its related affiliates owe us \$612,498 and \$183,453 for the periods ended December 31, 2018 and 2017, respectively, for support services and marine services rendered on their behalf. See NOTE J for further information regarding Monaco. During the quarter ended September 30, 2018, we began providing services for a deep-sea mineral exploration company in which our Chairman of the Board, Greg Stemm, has a controlling and ownership interest. See NOTE J for further information. At December 31, 2018 and 2017, respectively, the company owed us \$52,098 and \$0, respectively.

NOTE D – OTHER CURRENT ASSETS

Our other current assets consist of the following:

	December 31, 2018	December 31, 2017
Prepaid expenses	\$ 478,560	\$ 471,686
Project deposit	532,500	—
Deposits	5,076	23,841
Total other current assets	<u>\$ 1,016,136</u>	<u>\$ 495,527</u>

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For the period ended December 31, 2018, prepaid expenses consisted of \$388,137 for directors and officer's insurance, \$40,119 for marine insurance, \$38,674 of professional services and \$11,630 of other insurances. The Project deposit pertains to the HMS *Sussex* project, see NOTE F for details. The deposit balance is on account for professional services. For the period ended December 31, 2017, prepaid expenses consisted of \$316,795 for directors and officer's insurance, \$67,447 for marine insurance, \$75,784 of professional services and \$11,660 of other insurances. The deposit balance is on account for professional services. All prepaid expenses are amortized on a straight-line basis over the term of the underlying agreements. Deposits may be held by various entities for equipment, services, and in accordance with agreements in the normal course of business.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Computers and peripherals	1,021,844	1,278,461
Furniture and office equipment	1,907,116	2,625,028
Marine equipment	8,104,576	12,835,409
	11,033,536	16,738,898
Less: Accumulated depreciation	(10,915,557)	(16,145,082)
Property and equipment, net	<u>\$ 117,979</u>	<u>\$ 593,816</u>

During 2018, we sold marine assets with an approximate gross cost of \$4.6 million and an approximate net book value of \$0.1 million to a Monaco related company for \$1.0 million cash and assumed debt. During 2017, we sold this marine vessel to a related party, Monaco Financial, LLC, for \$650,000. The consideration for this vessel was applied against our loan balance to Monaco in the amount of \$650,000, see NOTE H. During 2016, we sold marine operational assets for a gain of \$992,595 of which \$792,595 is non-cash. The non-cash gain portion is a result of receiving the in-kind asset earlier noted and the relief of trade related debt. The gain of \$992,595 is included in Gain on sale of marine assets in our Consolidated Statement of Income in the relevant period.

NOTE F – OTHER NON-CURRENT ASSETS

Other long-term assets consist of the following:

	December 31, 2018	December 31, 2017
Deposits	\$ —	\$ 532,500
Total other long-term assets	<u>\$ —</u>	<u>\$ 532,500</u>

Deposits for the year ended December 31, 2017 include \$432,500 on account with the United Kingdom's Ministry of Defense relating to the expense deposits for HMS *Sussex* and \$100,000 deposit to fund conservation and documentation of any artifacts recovered. These HMS *Sussex* deposits of \$532,500 are refundable in their entirety, net of approved Ministry of Defense related expenses. In January 2019, the United Kingdom's Ministry of Defense returned the deposit, including interest, in the amount of \$588,965. For the year ended December 31, 2018, this amount is disclosed in Other current assets.

NOTE G – INVESTMENT IN UNCONSOLIDATED ENTITY

Neptune Minerals, Inc. (NMI)

Our current investment in NMI consists of 3,092,488 Class B Common non-voting shares and 2,612 Series A Preferred non-voting shares. These preferred shares are convertible into an aggregate of 261,200 shares of Class B non-voting common stock. Our holdings now constitute an approximate 14% ownership in NMI. At December 31, 2018, our estimated share of unrecognized NMI equity-method losses is approximately \$21.3 million. We have not recognized the accumulated \$21.3 million in our income statement because these losses exceeded our investment in 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. We

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believe it is appropriate to allocate this loss carryforward of \$21.3 million to any incremental NMI investment that may be recognized on our balance sheet in excess of zero since the losses occurred when they were an equity-method investment. The aforementioned loss carryforward is based on NMI's last unaudited financial statements as of December 31, 2016. We do not believe losses NMI may have incurred in the calendar years of 2017 and 2018 to be material. We do not have any financial obligations to NMI, and we are not committed to provide financial support to NMI.

Although we are a shareholder of NMI, we have no representation on the board of directors or in management of NMI and do not hold any Class A voting shares. We are not involved in the management of NMI nor do we participate in their policy-making. Accordingly, we are not the primary beneficiary of NMI. As of December 31, 2018, the net carrying value of our investment in NMI was zero in our consolidated financial statements.

Chatham Rock Phosphate, Limited.

During 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 ordinary shares to us. During March 2017, Antipodes Gold Limited completed the acquisition of CRP. The surviving entity is now named Chatham Rock Phosphate Limited ("CRPL"). In exchange for our 9,320,348 shares of CRP we received 141,884 shares of CPRL, which represents equity ownership of approximately 1% of the surviving entity. Since CRP was a thinly traded stock and pursuant to 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. We continue to carry the value of our investment in CPRL at zero in our consolidated financial statements.

CIC, LLC

In 2018, we entered into a transaction with a company controlled by Greg Stemm, the Chairman of the Board for Odyssey (See NOTE J for related parties). This company is pursuing deep water mining permits in foreign waters. Due to the initial structure of the company, we determined this venture to be a VIE consistent with ASU 2015-2. We have determined that we are not the primary beneficiary of the VIE and, therefore, we have not consolidated this entity. Additionally, we also will record the investment under the cost method as we have determined we do not exercise significant influence over the entity. We will assess our investment for impairment annually and, if a loss in value is deemed other than temporary, an impairment charge will be recorded. At December 31, 2018, the accumulated expected investment in the entity is \$752,667 which is classified as an investment in unconsolidated entity in our consolidated balance sheets. The agreements were executed in January 2019 which is when we received our equity units for our services rendered.

We account for the investments we make in certain legal entities in which equity investors do not have (1) sufficient equity at risk for the legal entity to finance its activities without additional subordinated financial support, or (2) as a group, the holders of the equity investment at risk do not have either the power, through voting or similar rights, to direct the activities of the legal entity that most significantly impact the entity's economic performance, or (3) the obligation to absorb the expected losses of the legal entity or the right to receive expected residual returns of the legal entity. These legal entities are referred to as "variable interest entities" or "VIEs."

We would consolidate the results of any such entity in which we determined we had a controlling financial interest. We would have a "controlling financial interest" in such an entity if we had both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb the losses of, or right to receive benefits from, the VIE that could be potentially significant to the VIE. On a quarterly basis, we reassess whether we have a controlling financial interest in any investments we have in these legal entities.

We determine whether any of the entities in which we have made investments is a VIE at the start of each new venture and if a reconsideration event has occurred. At such times, we also consider whether we must consolidate a VIE and/or disclose information about our involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has a variable interest (or combination of variable interests) that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. A reporting entity must consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of a VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE.

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The Company's consolidated notes payable consisted of the following:

	December 31, 2018	December 31, 2017
Note 1 – Monaco 2014	\$ 2,800,000	\$ 2,800,000
Note 2 – Monaco 2016	1,175,000	1,138,441
Note 3 – MINOSA 1	14,750,001	14,750,001
Note 4 – Epsilon	1,000,000	1,000,000
Note 5 – SMOM	3,500,000	3,000,000
Note 6 – MINOSA 2	5,050,000	4,675,000
Note 7 – Monaco 2018	1,099,366	—
Note 8 – Promissory note	74,621	—
	<u>\$29,448,988</u>	<u>\$27,363,442</u>

Note 1 – Monaco 2014

On August 14, 2014, we entered into a Loan Agreement with Monaco Financial, LLC (“Monaco”), a strategic marketing partner, pursuant to which Monaco agreed to lend us up to \$10.0 million. The loan was issued in three tranches: (i) \$5.0 million (the “First Tranche”) was advanced upon execution of the Loan Agreement; (ii) \$2.5 million (the “Second Tranche”) was advanced on October 1, 2014; and (iii) \$2.5 million (the “Third Tranche”) was advanced on December 1, 2014. The Notes bear interest at a rate equal to 11% per annum. The Notes also contain an option whereby Monaco can purchase shares of Oceanica held by Odyssey (the “Share Purchase Option”) at a purchase price that is the lower of (a) \$3.15 per share or (b) the price per share of a contemplated equity offering of Oceanica which totals \$1.0 million or more in the aggregate. The share purchase option was not clearly and closely related to the host debt agreement and required bifurcation.

On December 10, 2015, these promissory notes were amended as part of the asset acquisition agreement with Monaco (See NOTE R in our Form 10-K filed with the Securities and Exchange Commission for the period ended December 31, 2017 for further information). The amendment included the following material changes: (i) \$2.2 million of the indebtedness represented by the Notes was extinguished, (ii) \$5.0 million of the indebtedness represented by the Notes ceased to bear interest and is only repayable under certain circumstances from certain sources of cash, and (iii) the maturity date on the Notes was extended to December 31, 2017. During March 2016, the maturity date was further extended to April 1, 2018 and the exercise price of the Share Purchase Option was re-priced to \$1.00 per share. This indebtedness has matured, but Monaco has not demanded payment because we are in negotiations with Monaco to set a new maturity date. As of the maturity date, the interest rate was adjusted to the default rate of 18% per annum. See “Loan Modification (March 2016)” below. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$507,741 and \$308,800, respectively, was recorded. The outstanding interest-bearing balance of these Notes is \$2.8 million at December 31, 2018 and 2017.

Note 2 – Monaco 2016

In March 2016, Monaco agreed to lend us an additional \$1,825,000. These loan proceeds were received in full during the first quarter of 2016. The indebtedness bears interest at 10.0% percent per year. All principal and any unpaid interest was payable on April 15, 2018. This indebtedness has matured, but Monaco has not demanded payment because we are in negotiations with Monaco to set a new maturity date. As of the maturity date, the interest rate was adjusted to the default rate of 18% per annum. The current outstanding balance as of December 31, 2018 was \$1,175,000. The indebtedness is convertible at any time until the maturity date into shares of Oceanica held by us at a conversion price of \$1.00 per share. Pursuant to this loan and as security for the indebtedness, Monaco was granted a second priority security interest in (a) one-half of the indebtedness evidenced by the Amended and Restated Consolidated Note and Guaranty, dated September 25, 2015 (the “ExO Note”), in the original principal amount of \$18.0 million, issued by Exploraciones Oceanicas S. de R.L. de C.V. to Oceanica Marine Operations, S.R.L. (“OMO”), and all rights associated therewith (the “OMO Collateral”); and (b) all technology and assets in our possession or control used for offshore exploration, including an ROV system, deep-tow search systems, winches, multi-beam sonar, and other equipment. The carrying net book value of this equipment is \$0.3 million. We unconditionally and irrevocably guaranteed all obligations of ours and our subsidiaries to Monaco under this loan agreement. As further consideration for the loan, Monaco was granted an option (the “Option”) to purchase the OMO Collateral. The Option is exercisable at any time before the earlier of (a) the date that is 30 days after the loan is paid in full or (b) the maturity date of the ExO Note, for aggregate consideration of \$9.3 million, \$1.8 million of which would be paid at the closing of the exercise of the Option, with the balance paid in ten monthly installments of \$750,000. During 2017, we sold a marine vessel to a related party of Monaco for \$650,000. The consideration for this vessel was applied against our loan balance to Monaco in the amount of \$650,000.

Accounting considerations

ASC 815 generally requires the analysis of 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 option to purchase the OMO Collateral is an embedded feature that is not clearly and closely related to the host debt agreement and thus requires bifurcation. Because the option is out of the money, it has no material fair value as of the inception date or currently. The debt agreement did not contain any additional embedded terms or features that have characteristics of derivatives. However, we were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The calculation of the effective conversion amount did result in a BCF because the effective conversion price was less than the market price on the date of issuance, therefore a BCF of \$456,250 was recorded. This BCF has been fully amortized as of March 31, 2018. For the twelve-months ended December 31, 2018 and 2017, interest expense related to the discount in the amount of \$0 and \$252,940, respectively, was recorded. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$224,846 and \$134,527, respectively, was recorded.

Loan modification (December 2015)

In connection with the Acquisition Agreement entered into with Monaco on December 10, 2015, Monaco agreed to modify certain terms of the loans as partial consideration for the purchase of assets. For the First Tranche (\$5,000,000 advanced on August 14, 2014), Monaco agreed to cease interest as of December 10, 2015 and reduce the loan balance by (i) the cash or other value received from the SS *Central America* shipwreck project (“SSCA”) or (ii) if the proceeds received from the SSCA project were insufficient to pay off the loan balance by December 31, 2017, then Monaco could seek repayment of the remaining outstanding balance on the loan by withholding Odyssey’s 21.25% “additional consideration” in new shipwreck projects performed for Monaco in the future. For the Second Tranche (\$2,500,000 advanced on October 1, 2014), Monaco agreed to reduce the principal amount by \$2,200,000 leaving a new principal balance of \$300,000 and extension of maturity to December 31, 2017. For the Third Tranche (\$2,500,000 advanced on December 1, 2014), Monaco agreed to the extension of maturity to December 31, 2017.

On December 10, 2015, the Monaco call option related to the Oceanica shares held by us was extended until December 31, 2017.

Loan modification (March 2016)

In connection with the \$1.825 million loan agreement with Monaco in March 2016, the existing \$2.8 million notes were modified. Of the combined total indebtedness of Monaco’s Note 1 and Note 2, Monaco can convert this debt into 3,174,603 shares of Oceanica at a fixed conversion price of \$1.00 per share, or \$3,174,603. Any remaining debt in excess of \$3,174,603 is not convertible. Additionally, the modification eliminated Monaco’s option (“share purchase option”) to purchase 3,174,603 shares of Oceanica stock at a price of \$3.15 per share. The modification was analyzed under ASC 480 *Distinguishing Liabilities from Equity* (“ASC 480”) to determine if extinguishment accounting was applicable. Under ASC 470-50-40-10 a modification or an exchange that adds or eliminates a substantive conversion option as of the conversion date is always considered substantial and requires extinguishment accounting. Since this modification added a substantive conversion option, extinguishment accounting is applicable. In accordance with the extinguishment accounting guidance (a) the share purchase option was first marked to its pre-modification fair value, (b) the new debt was recorded at fair value and (c) the old debt and share purchased option was removed. The difference between the fair value of the new debt and the sum of the pre-modification carrying amount of the old debt and the share purchase option’s fair value represented a gain on extinguishment. ASC 470-50-40-2 indicates that debt restructuring with a related party may be in essence a capital transaction and as a result the gain upon extinguishment was recognized in additional paid in capital. We performed the following steps:

Step 1: After the share purchase option has been marked to its pre-modification fair value, the fair value of the new debt is determined. The fair value of the new debt is as follows:

Monaco loans	Loan one
Forward cash flows:	
Principal	\$2,800,000
Interest	559,463
Total forward cash flows	<u>\$3,359,463</u>
Present value of forward cash flows	\$2,554,371
Fair value of equity conversion option	1,063,487
Fair value of debt	<u>\$3,617,858</u>

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Significant inputs and results arising from the Binomial Lattice process are as follows for the conversion option that is classified in equity after the modification in March 2016:

Underlying price on valuation date	\$1.25
Contractual conversion rate	\$1.00
Contractual term to maturity	1.82 Years
Implied expected term to maturity	1.82 Years
Market volatility:	
Range of volatilities	96.0% - 154.0%
Equivalent volatilities	120.1%
Risk free rates using zero coupon US Treasury Security rates	0.29% - 0.68%
Equivalent market risk adjusted interest rates	0.52%
Monaco loans	Loan one
Forward cash flows:	
Face value	\$ 2,800,000
Fair value	<u>3,617,858</u>
Difference (premium)*	<u>\$ 817,858</u>

*ASC 470-20-25-13 provides that if a convertible debt instrument is issued at a substantial premium, there is a presumption that such premium represents paid in capital. Since the total face amount of the new loans is \$2,800,000, we conclude that the \$817,858 was substantial and recorded that premium to additional paid-in capital.

Step 2: The old debt and call option are removed with any difference between the fair value of the new debt and the sum of the pre-modification carrying amount of the old debt and the call option's fair value recognized as a gain or loss upon extinguishment. The allocation is as follows:

	Allocation
Derivative liabilities (share purchase options)	\$ 1,456,825
Monaco Loan (Old Debt)	3,372,844
Monaco Loan (New Debt)	<u>(2,800,000)</u>
APIC (Premium)	<u>(817,858)</u>
Difference to APIC*	<u>\$ 1,211,811</u>

*The difference between the fair value of the new debt and the sum of the pre-modification carrying amount of the old debt and the share purchase option's fair value represented a gain on extinguishment. ASC 470-50-40-2 indicates that debt restructuring with a related party may be in essence a capital transaction and as a result the gain upon extinguishment was recognized in additional paid in capital.

Note 3 – MINOSA

On March 11, 2015, in connection with a Stock Purchase Agreement, Minera del Norte, S.A. de C.V. ("MINOSA") agreed to lend us up to \$14.75 million. The entire \$14.75 million was loaned in five advances from March 11 through June 30, 2015. The outstanding indebtedness bears interest at 8.0% percent per annum. The Promissory Note was amended on April 10, 2015 and on October 1, 2015 so that, unless otherwise converted as provided in the Note, the adjusted principal balance shall be due and payable in full upon written demand by MINOSA; provided that MINOSA agreed that it shall not demand payment of the adjusted principal balance earlier than the first to occur of: (i) 30 days after the date on which (x) SEMARNAT

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makes a determination with respect to the current application for the Manifestacion de Impacto Ambiental relating to phosphate deposit project, which determination is other than an approval or (y) Odyssey Marine Enterprises or any of its affiliates withdraws such application without MINOSA's prior written consent; (ii) termination by Odyssey of the Stock Purchase Agreement, dated March 11, 2015 (the "Purchase Agreement"), among Odyssey, MINOSA, and Penelope Mining, LLC (the "Investor"); (iii) the occurrence of an event of default under the Promissory Note; (iv) December 31, 2015; or (v) if and only if the Investor shall have terminated the Purchase Agreement pursuant to Section 8.1(d)(iii) thereof, March 30, 2016. This indebtedness is classified as short-term debt. In connection with the loans, we granted MINOSA an option to purchase our 54% interest in Oceanica for \$40.0 million (the "Oceanica Call Option"). On March 11, 2016, the Oceanica Call has expired. Completion of the transaction requires amending the Company's articles of incorporation to (a) effect a reverse stock split, which was implemented on February 19, 2016, (b) adjusting the Company's authorized capitalization, which was also implemented on February 19, 2016, and (c) establishing a classified board of directors (collectively, the "Amendments"). The Amendments have been or will be set forth in certificates of amendment to the Company's articles of incorporation filed or to be filed with the Nevada Secretary of State. As collateral for the loan, we granted MINOSA a security interest in the Company's 54% interest in Oceanica. The outstanding principal balance of this debt was \$14.75 million at December 31, 2018. The maturity date of this indebtedness has been amended and matured on March 18, 2017. Per Note 6 MINOSA 2 below, the Minosa Purchase Agreement amended the due date of this note to a due date which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that Minosa intends to demand payment. See Note 6 – MINOSA 2 for further qualifications. During December 2017, MINOSA transferred this debt to its parent company. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$1,180,000 and \$1,180,000, respectively, was recorded.

Accounting considerations

We have accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued. Prior to making the accounting allocation, we evaluated for proper classification under ASC 480 *Distinguishing Liabilities from Equity* ("ASC 480"), ASC 815 *Derivatives and Hedging* ("ASC 815") and ASC 320 *Property, Plant and Equipment* ("ASC 320").

This debt agreement did not contain any embedded terms or features that have characteristics of derivatives. The Oceanica Call Option is considered a freestanding financial instrument because it is both (i) legally detachable and (ii) separately exercisable. The Oceanica Call Option did not fall under the guidance of ASC 480. Additionally, it did not meet the definition of a derivative under ASC 815 because the option has a fixed value of \$40.0 million and does not contain an underlying variable which is indicative of a derivative. This instrument is considered an option contract for a sale of an asset. The guidance applied in this case is ASC 360-20, which provides that in situations when a party lends funds to a seller and is given an option to buy the property at a certain date in the future, the loan shall be recorded at its present value using market interest rates and any excess of the proceeds over that amount credited to an option deposit account. If the option is exercised, the deposit shall be included as part of the sales proceeds; if not exercised, it shall be credited to income in the period in which the option lapses.

Based on the previous conclusions, we allocated the cash proceeds first to the debt at its present value using a market rate of 15%, which is management's estimate of a market rate loan for the Company, with the residual allocated to the Oceanica Call Option, as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Total
Promissory Note	\$1,932,759	\$5,826,341	\$2,924,172	\$1,960,089	\$1,723,492	\$14,366,853
Deferred Income (Oceanica Call Option)	67,241	173,659	75,828	39,911	26,509	383,148
Proceeds	<u>\$2,000,000</u>	<u>\$6,000,000</u>	<u>\$3,000,000</u>	<u>\$2,000,000</u>	<u>\$1,750,001</u>	<u>\$14,750,001</u>

The call option amount of \$383,148 represented a debt discount. This discount has been fully accreted up to face value using the effective interest method.

Note 4 – Epsilon

On March 18, 2016 we entered into a Note Purchase Agreement ("Purchase Agreement") with Epsilon Acquisitions LLC ("Epsilon"). Pursuant to the Purchase Agreement, Epsilon loaned us \$3.0 million in two installments of \$1.5 million on March 31, 2016 and April 30, 2016. The indebtedness bears interest at a rate of 10% per annum and was due on March 18, 2017. We were also responsible for \$50,000 of the lender's out of pocket costs. This amount is included in the loan balance. In pledge agreements related to the loans, we granted security interests to Epsilon in (a) the 54 million cuotas (a unit of ownership under Panamanian law) of Oceanica Resources S. de R.L. ("Oceanica") held by our wholly owned subsidiary,

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Odyssey Marine Enterprises, Ltd. (“OME”), (b) all notes and other receivables from Oceanica and its subsidiary owed to the Odyssey Pledgors, and (c) all of the outstanding equity in OME. Epsilon has the right to convert the outstanding indebtedness into shares of our common stock upon 75 days’ notice to us or upon a merger, consolidation, third party tender offer, or similar transaction relating to us at the conversion price of \$5.00 per share, which represents the five-day volume-weighted average price of Odyssey’s common stock for the five trading day period ending on March 17, 2016. On January 25, 2017, Epsilon provided notice to us that it would convert the initial \$3.0 million plus accrued interest per the Restated Note Purchase Agreement at \$5.00 per share in accordance with the terms of the agreement. The conversion and issuance of new shares was effective April 10, 2017 and included accrued interest of \$302,274 for a total 670,455 shares. Upon the occurrence and during the continuance of an event of default, the conversion price was to be reduced to \$2.50 per share. Following any conversion of the indebtedness, Penelope Mining LLC (an affiliate of Epsilon) (“Penelope”), may elect to reduce its commitment to purchase preferred stock of Odyssey under the Stock Purchase Agreement, dated as of March 11, 2015 (as amended, the “Stock Purchase Agreement”), among Odyssey, Penelope, and Minera del Norte, S.A. de C.V. (“MINOSA”) by the amount of indebtedness converted.

Pursuant to the Purchase Agreement (a) we agreed to waive our rights to terminate the Stock Purchase Agreement in accordance with the terms thereof until December 31, 2016, and (b) MINOSA agreed to extend, until March 18, 2017, the maturity date of the \$14.75 million loan extended by MINOSA to OME pursuant to the Stock Purchase Agreement. The indebtedness may be accelerated upon the occurrence of specified events of default including (a) OME’s failure to pay any amount payable on the date due and payable; (b) OME or we fail to perform or observe any term, covenant, or agreement in the Purchase Agreement or the related documents, subject to a five-day cure period; (c) an event of default or material breach by OME, us or any of our affiliates under any of the other loan documents shall have occurred and all grace periods, if any, applicable thereto shall have expired; (d) the Stock Purchase Agreement shall have been terminated; (e) specified dissolution, liquidation, insolvency, bankruptcy, reorganization, or similar cases or actions are commenced by or against OME or any of its subsidiaries, in specified circumstances unless dismissed or stayed within 60 days; (f) the entry of judgment or award against OME or any of its subsidiaries in excess of \$100,000; and (g) a change in control (as defined in the Purchase Agreement) occurs.

In connection with the execution and delivery of the Purchase Agreement, we and Epsilon entered into a registration rights agreement pursuant to which we agreed to register new shares of our common stock with a formal registration statement with the Securities and Exchange Commission upon the conversion of the indebtedness.

Accounting considerations

We have accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued. Prior to making the accounting allocation, we evaluated the transaction for proper classification under ASC 480 *Distinguishing Liabilities from Equity* (“ASC 480”), ASC 815 *Derivatives and Hedging* (“ASC 815”) and ASC 320 *Property, Plant and Equipment* (“ASC 320”).

This debt agreement did not contain any embedded terms or features that have characteristics of derivatives. However, we were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The calculation of the effective conversion amount did result in a BCF because the effective conversion price was less than the Company’s stock price on the date of issuance, therefore a BCF of \$96,000 was recorded. The BCF represents a debt discount which was amortized over the life of the loan.

Loan modification (October 1, 2016)

On October 1, 2016 Odyssey Marine Enterprises, Ltd. (“OME”), entered into an Amended and Restated Note Purchase Agreement (the “Restated Note Purchase Agreement”) with Epsilon Acquisitions LLC (“Epsilon”). In connection with the existing \$3.0 million loan agreement, Epsilon agreed to lend an additional \$3.0 million evidenced by secured convertible promissory notes. The convertible promissory notes bear an interest rate of 10.0% per annum and are due and payable on March 18, 2017. Epsilon has the right to convert all amounts outstanding under the Restated Note into shares of our common stock upon 75 days’ notice to OME or upon a merger, consolidation, third party tender offer, or similar transaction relating to us at the applicable conversion price, which is (a) \$5.00 per share with respect to the \$3.0 million already advanced under the Restated Note and (b) with respect to additional advances under the Restated Note, the five-day volume-weighted average price of our common stock for the five trading day period ending on the trading day immediately prior to the date on which OME submits a borrowing notice for such advance. Notwithstanding anything herein to the contrary, we shall not issue any of our common stock upon conversion of any outstanding tranche (other than the first \$3.0 million already advanced) under this Restated Note in excess of 1,388,769 shares of common stock. The additional tranches were issued as follows: (a) \$1,000,000

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(“Tranche 3”) was issued on October 16, 2016 with a conversion price of \$3.52 per share; (b) \$1,000,000 (“Tranche 4”) was issued on November 15, 2016 with a conversion price of \$4.19 per share; and (c) \$1,000,000 (“Tranche 5”) was issued on December 15, 2016 with a conversion price of \$4.13 per share. During 2017, Epsilon assigned Tranche 4 and 5 totaling \$2,000,000 of this debt to MINOSA under the same terms as the original debt. See Note – MINOSA 2 below for further detail.

As an inducement for the issuance of the additional \$3.0 million of promissory notes, we also delivered to Epsilon a common stock purchase warrant (the “Warrant”) pursuant to which Epsilon has the right to purchase up to 120,000 shares of our common stock at an exercise price of \$3.52 per share, which exercise price represents the five-day volume-weighted average price of our common stock for the five trading day period ending on the trading day immediately prior to the day on which the Warrant was issued. Epsilon may exercise the Warrant in whole or in part at any time during the period ending October 1, 2021. The Warrant includes a cashless exercise feature and provides that, if Epsilon is in default of its obligations to fund any advance pursuant to and in accordance with the Restated Note Purchase Agreement, then, thereafter, the maximum aggregate number of shares of common stock that may be purchased under the Warrant shall be the number determined by multiplying 120,000 by a fraction, (a) the numerator of which is the aggregate principal amount of advances that have been extended to the OME by Epsilon pursuant to the Restated Note Purchase Agreement on or after the date of the Warrant and prior to the date of such failure and (b) the denominator of which is \$3.0 million.

Accounting considerations for additional tranches

We evaluated for proper classification under ASC 480 *Distinguishing Liabilities from Equity* (“ASC 480”), ASC 815 *Derivatives and Hedging* (“ASC 815”) and ASC 320 *Property, Plant and Equipment* (“ASC 320”). This debt agreement did not contain any embedded terms or features that have characteristics of derivatives. Additionally, the warrant agreement did not contain any terms or features that would preclude equity classification. We were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The allocations of the three additional tranches were as follows.

	Tranche 3	Tranche 4	Tranche 5
Promissory Note	\$ 981,796	\$ 939,935	\$1,000,000
Beneficial Conversion Feature (“BCF”)*	18,204	60,065	—
Proceeds	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

A beneficial conversion feature arises when the calculation of the effective conversion price is less than the Company’s stock price on the date of issuance. Tranche 5 did not result in a BCF because the effective conversion price was greater than the company’s stock price on the date of issuance.

The Warrant’s fair value was calculated using Black-Scholes Merton (“BSM”). The aggregate fair value of the Warrant totaled \$303,712. Since the Warrant was issued as an inducement to Epsilon to issue additional debt, we recorded an inducement expense of \$303,712. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$99,998 and \$299,294, respectively, was recorded.

Term Extension (March 21, 2017)

On March 21, 2017 we entered into an amendment to the Restated Note Purchase Agreement with Epsilon. In connection with the existing \$6.0 million of indebtedness, the adjusted principal balance is due and payable in full upon the earlier of (i) written demand by Epsilon or (ii) such time as Odyssey or the guarantor pays any other indebtedness for borrowed money prior to its stated maturity date. As such the Company amortized the notes up to their face value of \$6,050,000 and they are classified as short-term. However, since Epsilon converted the first \$3.0 million into 670,455 of our common shares and assigned \$2.0 million to MINOSA, the current principal indebtedness at December 31, 2018 is \$1.0 million.

Note 5 – SMOM

On May 3, 2017, we entered into a Loan and Security Agreement (“Loan Agreement”) with SMOM. Pursuant to the Loan Agreement, SMOM agreed to loan us up to \$3.0 million as evidenced by a convertible promissory note. As a commitment fee, we assigned the remaining 50% of our Neptune Minerals, LLC receivable to SMOM. This receivable had zero carrying value on our balance sheet and due to the age and collectability was deemed to have no fair value. The indebtedness bears interest at a rate of 10% per annum and matures on the second anniversary of this Loan Agreement which is May 3, 2019. On April 20, 2018, the loan was amended, and the principal amount of the Loan was increased to \$3,500,000. The loan balance at December 31, 2018 is \$3.5 million. The holder has the option to convert up to \$2.0 million of any unpaid principal and interest into up to 50% of the equity interest held by Odyssey in Aldama Mining Company, S.de R.L. de C.V. which is a wholly owned subsidiary of ours. The conversion value of \$1.0 million equates to 10% of the equity interest in Aldama. If the holder elects to acquire the entire 50% of the equity interest, the Holder has to pay the deficiency in cash. As additional consideration for

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the loan, the holder has the right to purchase from Odyssey all or a portion of the equity collateral (up to the 50% of the equity interest of Aldama) for the option consideration (\$1.0 million for each 10% of equity interests) during the period that is the later of (i) one year after the maturity date and (ii) one year after the loan is repaid in full, the expiration date. The lender may also choose to extend the expiration date annually by paying \$500,000 for each year extended. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$330,822 and \$204,863, respectively, was recorded.

Accounting considerations

We have accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued. Prior to making the accounting allocation, we evaluated for proper classification under ASC 480 *Distinguishing Liabilities from Equity* (“ASC 480”), ASC 815 *Derivatives and Hedging* (“ASC 815”) and ASC 320 *Property, Plant and Equipment* (“ASC 320”).

This debt agreement did not contain any embedded terms or features that have characteristics of derivatives. However, we were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The calculation of the effective conversion amount did not result in a BCF because the effective conversion price was equal to the Company’s stock price on the date of issuance.

Note 6 – MINOSA 2

On August 10, 2017, we entered into a Note Purchase Agreement (the “Minosa Purchase Agreement”) with MINOSA. Pursuant to the Minosa Purchase Agreement, MINOSA agreed to loan Enterprises up to \$3.0 million. During 2017, we borrowed \$2.7 million against this facility and Epsilon assigned \$2.0 million of its debt to MINOSA. At December 31, 2018, the outstanding principal balance, including the Epsilon assignment, is \$5.05 million. The indebtedness is evidenced by a secured convertible promissory note (the “Minosa Note”) and bears interest at a rate equal to 10.0% per annum. Unless otherwise converted as described below, the entire outstanding principal balance under this Minosa Note and all accrued interest and fees are due and payable upon written demand by MINOSA; provided, that MINOSA agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Minosa Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that MINOSA intends to demand payment. MINOSA has not provided any notice they intend to issue a payment demand notice. We unconditionally and irrevocably guaranteed all of the obligations under the Minosa Purchase Agreement and the Minosa Note. MINOSA has the right to convert all amounts outstanding under the Minosa Note into shares of our common stock upon 75 days’ notice to us or upon a merger, consolidation, third party tender offer, or similar transaction relating to us at the conversion price of \$4.41 per share. During December 2017, MINOSA transferred this debt to its parent company.

This debt agreement did not contain any embedded terms or features that have characteristics of derivatives. However, we were required to consider whether the hybrid contract embodied a beneficial conversion feature (“BCF”). The calculation of the effective conversion amount did result in a BCF because the effective conversion price was less than the Company’s stock price on the date of issuance, therefore a BCF of \$62,925 was recorded. As of December 31, 2017, all of the BCF has been accreted to the income statement. The BCF represented a debt discount that was amortized over the life of the loan. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$504,075 and \$142,110, respectively, was recorded.

As previously reported, Epsilon loaned us an aggregate of \$6.0 million pursuant to an amended and restated convertible promissory Minosa Note, dated as of March 18, 2016, as further amended and restated on October 1, 2016 (the “Epsilon Note”). Since then, Epsilon has assigned \$2.0 million of the indebtedness under the Epsilon Note to MINOSA. Along with Epsilon, we entered into a second amended and restated convertible promissory note (the “Second AR Epsilon Note”), which further amends and restates the Epsilon Note. The stated principal amount of the Second AR Epsilon Note is \$1.0 million (which reflects the outstanding principal balance remaining after giving effect to Epsilon’s (x) previous assignment of \$2.0 million of the indebtedness under the Epsilon Note to MINOSA and (y) conversion of \$3.0 million of the indebtedness under the Epsilon Note into shares of our common stock). The Second AR Epsilon Note further provides that the outstanding principal balance under the Second AR Epsilon Note and all accrued interest and fees are due and payable upon written demand by Epsilon; provided, that Epsilon agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Second AR Epsilon Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that MINOSA intends to demand payment.

Upon the closing of the Minosa Purchase Agreement, along with MINOSA, and Penelope Mining LLC, an affiliate of Minosa (“Penelope”), executed and delivered a Second Amended and Restated Waiver and Consent and Amendment No. 5

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to Promissory Note and Amendment No. 2 to Stock Purchase Agreement (the “Second AR Waiver”). Pursuant to the Second AR Waiver, Minosa and Penelope consented to the transactions contemplated by the Minosa Purchase Agreement and waived any breach of any representation or warranty and violation of any covenant in the Stock Purchase Agreement, dated as of March 11, 2015, as amended April 10, 2015 (the “SPA”), by and among us, Minosa, and Penelope, arising out of the Company’s execution and delivery of the Minosa Purchase Agreement and the consummation of the transactions contemplated thereby. Pursuant to the Second AR Waiver, we also waived, and agreed not to exercise our right to terminate the SPA pursuant to Section 8.1(c)(ii) thereto, both (a) until after the earlier of (i) July 1, 2018, (ii) the date that MINOSA fails, refuses, or declines to fund (or otherwise does not fund) any subsequent loan under the Minosa Purchase Agreement and (iii) demand is made for repayment of all or any part of the indebtedness outstanding under the Minosa Note, the Second AR Epsilon Note, or the Promissory Note, dated as of March 11, 2015, as amended (the “SPA Note”), in the principal amount of \$14.75 million that was issued by us to MINOSA under the SPA, and (b) unless on or prior to such termination, the Notes are paid in full.

The Second AR Waiver (x) further provides that following any conversion of the indebtedness evidenced by the Minosa Note, Penelope may elect to reduce its commitment to purchase our preferred stock under the SPA by the amount of indebtedness converted by MINOSA and (y) amends the SPA Note to provide that the outstanding principal balance under the SPA Note and all accrued interest and fees are due and payable upon written demand by MINOSA; provided, that Minosa agreed not make a demand for payment prior to the earlier of (a) an event of default (as defined in the Minosa Note) or (b) a date, which may be no earlier than December 31, 2017, that is at least 60 days subsequent to written notice that Minosa intends to demand payment.

The obligations under the Minosa Note may be accelerated upon the occurrence of specified events of default including (a) our failure to pay any amount payable under the Minosa Note on the date due and payable; (b) our failure to perform or observe any term, covenant, or agreement in the Minosa Note or the related documents, subject to a five-day cure period; (c) the occurrence and expiration of all applicable grace periods, if any, of an event of default or material breach by us under any of the other loan documents; (d) the termination of the SPA; (e) commencement of certain specified dissolution, liquidation, insolvency, bankruptcy, reorganization, or similar cases or actions by or against us, in specified circumstances unless dismissed or stayed within 60 days; (f) the entry of a judgment or award against us in excess of \$100,000; and (g) the occurrence of a change in control (as defined in the Minosa Note).

Pursuant to second amended and restated pledge agreements (the “Second AR Pledge Agreements”) entered into by us in favor of MINOSA, we pledged and granted security interests to MINOSA in (a) the 54 million cuotas (a unit of ownership under Panamanian law) of Oceanica held by us, (b) all notes and other receivables from Oceanica and its subsidiary owed to us, and (c) all of the outstanding equity in our wholly owned subsidiary, Odyssey Marine Enterprises, Ltd.

In connection with the execution and delivery of the Minosa Purchase Agreement, Odyssey and MINOSA entered into a second amended and restated registration rights agreement (the “Second AR Registration Rights Agreement”) pursuant to which Odyssey agreed to register the offer and sale of the shares (the “Conversion Shares”) of our common stock issuable upon the conversion of the indebtedness evidenced by the Minosa Note. Subject to specified limitations set forth in the Second AR Registration Rights Agreement, including that we are eligible to use Form S-3, the holder of the Minosa Note can require us to register the offer and sale of the Conversion Shares if the aggregate offering price thereof (before any underwriting discounts and commissions) is not less than \$3.0 million. In addition, we agreed to file a registration statement relating to the offer and sale of the Conversion Shares on a continuous basis promptly (but in no event later than 60 days after) after the conversion of the Minosa Note into the Conversion Shares and to thereafter use its reasonable best efforts to have such registration statement declared effective by the Securities and Exchange Commission.

Note 7 – Monaco 2018

During the period ended March 31, 2018, Monaco advanced us \$1.0 million that was applied to a loan agreement that was executed on April 20, 2018. Monaco also agreed to treat \$99,366 of back rent owed by us to Monaco as part of this loan resulting in an aggregate principal amount of \$1,099,366 at December 31, 2018. The indebtedness bears interest at 10.0% percent per year. All principal and any unpaid interest is to be payable on the first anniversary of this agreement, April 20, 2019. This debt is secured by cash proceeds, if any, from our future shipwreck projects we have contracted with Magellan. As additional consideration, their share purchase option expiration date, as discussed in Note 1 – Monaco 2014 and Note 2 – Monaco 2016 above, has been extended from 30 days to seven months after the note becomes paid in full. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$79,539 and \$0, respectively, was recorded.

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Note 8 – Promissory note

On July 12, 2018, we entered into a Note and Warrant Purchase Agreement (the “Purchase Agreement”) with two individuals (the “Lenders”), one of whom holds in excess of 5.0% of our outstanding common stock. Pursuant to the Purchase Agreement, the Lenders agreed to lend an aggregate of \$1,050,000 to us, which was advanced in three tranches on July 12, 2018, \$500,000, August 17, 2018, \$300,000 and October 4, 2018, \$250,000. The indebtedness is evidenced by secured convertible promissory notes (the “Notes”) and bears interest at a rate equal to 8.0% per annum. Unless otherwise converted as described below, the entire outstanding principal balance under the Notes and all accrued interest and fees are due and payable on July 12, 2019.

At any time after to the first to occur of (a) a sale by us of additional Notes or (b) September 12, 2018, the Lenders have the right to convert all amounts outstanding under the Notes into either (x) shares of our common stock at the conversion rate of \$8.00 per share, (y) \$500,000 of the indebtedness owed by Exploraciones Oceanicas S. de R. L. de C.V. (“ExO”) to Oceanica Marine Operations, S.R.L. (“OMO”), or (z) a 7.5% interest in Aldama Mining Company, S. de R. L. de C.V. (“Aldama”). We indirectly hold a controlling interest in ExO; OMO and Aldama are indirect, wholly owned subsidiaries of ours.

In connection with the issuance and sale of the Notes, we issued warrants to purchase common stock (the “Warrants”) to the Lenders. The Lenders may exercise the Warrants to purchase an aggregate of 50,000 shares of our common stock at an exercise price of \$12.00 per share. The Warrants are exercisable during the period commencing on the date on which the Notes are converted into shares of our common stock and ending on July 12, 2021.

Pursuant to a Pledge Agreement, dated as of July 12, 2018 (the “Pledge Agreement”), our obligations under the Notes are secured by a pledge of a portion of Odyssey’s ownership interest in Aldama and another entity.

Pursuant to a Registration Rights Agreement (the “Rights Agreement”) among us and the Lenders, we granted the Lenders “piggy-back” registration rights with respect to the shares of our common stock issuable upon conversion of the Notes and the exercise of the Warrants.

The Purchase Agreement, the Notes, the Warrants, the Pledge Agreement, and the Rights Agreement include representations and warranties and other covenants, conditions, and other provisions customary for comparable transactions.

We have accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued. Prior to making the accounting allocation, we evaluated the transaction for proper classification under ASC 480 Distinguishing Liabilities from Equity (“ASC 480”), ASC 815 Derivatives and Hedging (“ASC 815”).

We determined that the debt achieved conventional convertible status and that the equity conversion option was in the money at inception which required the calculation of a beneficial conversion feature (“BCF”). The fair value of the warrants and BCF component exceeded the amount of proceeds, therefore, they were limited to the cash proceeds of \$1,050,000 at December 31, 2018. As a result, there was no value allocated to the debt at inception. The debt is being accreted to face value over its term using the effective interest method. For the twelve months ended December 31, 2018, we recorded \$74,621 in interest expense associated with the accretion of the debt discount and the carrying value of the notes at December 31, 2018 was \$74,621. Therefore, the book balance of this debt at December 31, 2018 is \$74,621 and the actual face value is \$1.05 million. For the twelve months ended December 31, 2018 and 2017, accrued interest in the amount of \$33,284 and \$0, respectively, was recorded.

Long-Term Obligation Maturities:

We do not have any long-term obligations that mature beyond 12 months from December 31, 2018. 2019 is the third year of our three year corporate headquarter operating lease. We entered into the operating lease with Monaco Financial, LLC, a related party; however, the building in which we lease this space was sold during October 2018 to a non-affiliate. The operating lease automatically renews and is cancellable with a nine-month notice.

NOTE I – ACCRUED EXPENSES

Accrued expenses consist of the following:

	<u>2018</u>	<u>2017</u>
Compensation and incentives	\$2,567,732	\$1,871,071
Professional services	400,367	329,640
Interest	6,508,621	4,056,337
Accrued insurance obligations	309,826	249,247
Other operating	18,000	45,040
Total accrued expenses	<u>\$9,804,546</u>	<u>\$6,551,335</u>

Professional fees are mainly attributable to legal fees and related and other professional services in support of operations. Included in Professional fees are \$230,500 of fees earned by Greg Stemm, former chief executive officer and current chairman of the board, in accordance to his consulting service agreement executed in 2015. These fees are to be paid out monthly over 2019 and beyond. Mr. Stemm has an additional \$80,509 of fees due in accounts payable at December 31, 2018. These fees will be remitted at a mutually agreeable time in the future. Compensation and incentives includes \$1.8 million accrued incentive awards for the company employees for 2017 and prior and \$0.8 million for 2018. However, the Board of Directors will only approve incentives to be paid when and if there is sufficient excess cash above and beyond normal operating requirements. Other operating expenses contain general items due resulting from general operations. Accrued interest is due to several lenders per debt agreements described in NOTE H.

NOTE J – 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 former officers may be required to buy back their interests.

Based on the economic substance of our business transactions with Monaco Financial, LLC, we consider Monaco to be an affiliated company, thus a related party. We do not own any financial interest in Monaco. We had accounts receivable with Monaco and related affiliates at December 31, 2018 of \$612,498 and at December 31, 2017 of \$183,453. We had general operating payables with Monaco at December 31, 2018 of \$233,855 and at December 31, 2017 of \$200,801. See NOTE H for further debt arrangements between the entities. During 2018, we performed marine shipwreck search and recovery services for this related party and recognized year to date revenue of \$2.2 million. Until October 2018, we leased our corporate office space on an annually renewable basis from Monaco at \$20,080 per month; however, the building in which we lease this space was sold during October 2018 to a non-affiliate.

During 2018, we provided services to a deep-sea mineral exploration company, CIC, LLC, that was organized and is majority owned and controlled by Greg Stemm, the Chairman of the Board for Odyssey. Mr. Stemm's involvement with this company was disclosed to, and approved by, the Odyssey Board of Directors and legal counsel pursuant to the terms of his consulting agreement. We will be providing these services subject to a Master Services Agreement which provides for back office services in exchange for a recurring monthly fee as well as other mineral related services on a cost-plus profit basis and will be compensated for these services with a combination of cash and equity in the company. For the year ended December 31, 2018, we invoiced the company a total of \$954,764 of which \$731,746 was for back office technical and support services. This amount is comprised of \$202,097 to be paid in cash and \$752,667 which shall be deemed as consideration for equity units in the company. We have the option to accept equity in lieu of the amount expected to be paid in cash. See NOTE C for related accounts receivable at December 31, 2018 and NOTE G for our investment in an unconsolidated entity.

NOTE K – DEFERRED INCOME AND REVENUE PARTICIPATION RIGHTS

The Company's participating revenue rights and deferred revenue consisted of the following for the respective year end:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
"Cambridge" project	\$ 825,000	\$ 825,000
"Seattle" project	62,500	62,500
Galt Resources, LLC (HMS <i>Victory</i>)	3,756,250	3,756,250
Total revenue participation rights	<u>\$ 4,643,750</u>	<u>\$ 4,643,750</u>

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“Cambridge” project

We previously sold Revenue Participation Certificates (“RPCs”) that represent the right to share in our future revenues derived from the “Cambridge” project, which is also referred to as the HMS *Sussex* shipwreck project. 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.

“Seattle” 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 now named “*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 “*Seattle*” 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.

Galt Resources, LLC

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 has been paid in full for their share of the *Gairsoppa* project investment. There are no future payments remaining due to Galt for the *Gairsoppa* project. 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 (\$15.0 million). There is no expiration date on the Galt deal for the HMS *Victory* project. If the archaeological excavation of the shipwreck is performed and insufficient proceeds are obtained, then the deferred income balance will be recognized as other income. If the archaeological excavation of the shipwreck is performed and sufficient proceeds are obtained, then the deferred income balance will be recognized as revenue.

NOTE L – STOCKHOLDERS’ EQUITY/(DEFICIT)

Common Stock

On October 31, 2018, we sold in the aggregate 700,000 shares of our common stock and warrants to purchase up to 700,000 shares of our common stock. The common stock and warrants were sold in units, with each unit consisting of one share of common stock and a warrant to purchase one shares of common stock. The purchase price for each unit is \$7.155. The warrants have an exercise price of \$7.155 per share of common stock and are exercisable in accordance with their terms at any time on or before the close of business on November 2, 2023.

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In April 2017, Epsilon converted \$3.3 million of their principal and accrued interest into 670,455 shares of our common stock at a conversion price of \$5.00. See NOTE H for further information.

Convertible Preferred Stock

On March 11, 2015, we entered into a Stock Purchase Agreement (the “Purchase Agreement”) with Penelope Mining LLC (the “Investor”), and, solely with respect to certain provisions of the Purchase Agreement, Minera del Norte, S.A. de C.V. (the “Lender”). The Purchase Agreement provides for the Company to issue and sell to the Investor shares of the Company’s preferred stock in the amounts set forth in the following table (numbers have been adjusted for the February 2016 reverse stock split):

Convertible Preferred Stock	Shares	Price Per Share	Total Investment
Series AA-1	8,427,004	\$ 12.00	\$101,124,048
Series AA-2	7,223,145	\$ 6.00	43,338,870
	<u>15,650,149</u>		<u>\$144,462,918</u>

The Investor’s option to purchase the Series AA-2 shares is subject to the closing price of the Common Stock on the NASDAQ market having been greater than or equal to \$15.12 per share for a period of twenty (20) consecutive business days on which the NASDAQ market is open.

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

Series AA Convertible Preferred Stock Designation

The Purchase Agreement provides for the issuance of up to 8,427,004 shares of Series AA-1 Convertible Preferred Stock, par value \$0.0001 per share (the “Series AA-1 Preferred”) and 7,223,145 shares of Series AA-2 Convertible Preferred Stock, par value \$0.0001 per share (the “Series AA-2 Preferred”), subject to stockholder approval which was received on June 9, 2015 and satisfaction of other conditions. Significant terms and conditions of the Series AA Preferred are as follows:

Dividends. If and when the Company declares a dividend and any other distribution (including, without limitation, in cash, in capital stock (which shall include, without limitation, any options, warrants or other rights to acquire capital stock) of the Company, then the holders of each share of Series AA Preferred Stock are entitled to receive, a dividend or distribution in an amount equal to the amount of dividend or distribution received by the holders of common stock for which such share of Series AA Preferred Stock is convertible.

Liquidation Preference. The Liquidation Preference on each share of Series AA Preferred Stock is its Stated Value plus accretion at the rate of 8% per annum compounded on each December 31 from the date of issue of such share until the date such share is converted. For any accretion period which is less than a full year, the Liquidation Preference shall accrete in an amount to be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed.

Voting Rights. The holders of Series AA Preferred will be entitled to one vote for each share of common stock into which the Series AA Preferred is convertible and will be entitled to notice of meetings of stockholders.

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Conversion Rights. At any time after the Preferred Shares have been issued, any holder of shares of Series AA Preferred may convert any or all of the shares of preferred stock into one fully paid and non-assessable share of Common Stock.

Adjustments to Conversion Rights. If Odyssey pays a dividend or makes a distribution on its common stock in shares of common stock, subdivides its outstanding common stock into a greater number of shares, or combines its outstanding common stock into a smaller number of shares, or if there is a reorganization, or a merger or consolidation of Odyssey with or into any other entity which results 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 will be adjusted appropriately so that each holder of Series AA Preferred will receive the securities or other consideration the holder would have received if the holder's Series AA Preferred had been converted before the happening of the event. The conversion price in effect from time to time is also subject to downward adjustment if we issue or sell shares of common stock for a purchase price less than the conversion price or if we issue or sell 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 AA Preferred.

Accounting considerations

As stated above the issuance of the Series AA Convertible Preferred Stock is based on certain contingencies. No accounting treatment determination is required until these contingencies are met and the Series AA Convertible Preferred Stock has been issued. However, we have analyzed the instrument to determine the proper accounting treatment that will be necessary once the instruments have been issued.

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 AA 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 of 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 AA Convertible Preferred Stock in its entirety as being either akin to equity or akin to debt. Our evaluation concluded that the Series AA Convertible Preferred Stock was more akin to an equity-like contract largely due to the fact that most of its features were participatory in nature. As a result, we concluded that the embedded conversion feature is clearly and closely related to the host equity contract and will not require bifurcation and liability classification.

The option to purchase the Series AA-2 Convertible Preferred Stock was analyzed as a freestanding financial instruments and has terms and features of derivative financial instruments. However, in analyzing this instrument under applicable guidance it was determined that it is both (i) indexed to the Company's stock and (ii) meet the conditions for equity classification.

Stock-Based Compensation

We have two stock incentive plans. The first is the 2005 Stock Incentive Plan that expired in August 2015. After the expiration of this plan, equity instruments cannot be granted but this plan will continue in effect until all outstanding awards have been exercised in full or are no longer exercisable and all equity instruments have vested or been forfeited.

On June 9, 2015, our shareholders approved our 2015 Stock Incentive Plan (the "Plan") that was adopted by our Board of Directors (the "Board") on January 2, 2015, which is the effective date. The plan expires on the tenth anniversary of the effective date. The Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units and stock appreciation rights. This plan was initially capitalized with 450,000 shares that may be granted. The Plan is intended to comply with Section 162(m) of the Internal Revenue Code, which stipulates that the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year shall be 83,333, and the maximum aggregate amount of cash that may be paid in cash to any person during any calendar year with respect to one or more Awards payable in cash shall be \$2,000,000. The original maximum number of shares that were to be used for Incentive Stock Options ("ISO") under the Plan was 450,000. During our June 2016 stockholders meeting, the stockholders approved the addition of 200,000 incremental shares to the Plan. With respect to each grant of an ISO to a participant who is not a ten percent stockholder, the exercise price shall not be less than the fair market value of a share on the date the ISO is granted. With respect to each grant of an ISO to a participant who is a ten percent stockholder, the exercise price shall not be less than one hundred ten percent (110%) of the fair market value of a share on the date the ISO is granted.

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If an award is a non-qualified stock option (“NQSO”), the exercise price for each share shall be no less than (1) the minimum price required by applicable state law, or (2) the fair market value of a share on the date the NQSO is granted, whichever price is greatest. Any award intended to meet the performance based exception must be granted with an exercise price not less than the fair market value of a share determined as of the date of such 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, 2018, 2017 and 2016 was \$415,615, \$833,985 and \$1,778,461, respectively.

We did not grant stock options to employees in 2018. We did grant options to two outside directors in 2016 for their quarterly fees related to the last three quarters of the year. The weighted average estimated fair value of stock options granted during the fiscal years ended December 31, 2018, 2017 and 2016 were \$0.00, \$0.00 and \$1.75, 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, 2018, 2017 and 2016:

	2018	2017	2016
Risk-free interest rate	—	—	1.29 - 2.25%
Expected volatility of common stock	—	—	80.87 - 82.69%
Dividend yield	—	—	0%
Expected life of options	—	—	8.2 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, 2015	375,283	\$ 32.04
Granted	22,493	\$ 2.74
Exercised	—	\$ —
Cancelled	(65,361)	\$ 32.82
Outstanding at December 31, 2016	332,415	\$ 21.55
Granted	—	\$ —
Exercised	—	\$ —
Cancelled	(84,598)	\$ 35.59
Outstanding at December 31, 2017	247,817	\$ 16.76
Granted	—	\$ —
Exercised	—	\$ —
Cancelled	(9,166)	\$ 36.52
Outstanding at December 31, 2018	238,651	\$ 15.95
Options exercisable at December 31, 2016	300,751	\$ 22.30
Options exercisable at December 31, 2017	247,817	\$ 16.76
Options exercisable at December 31, 2018	238,651	\$ 15.95

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The aggregate intrinsic values of options exercisable for the fiscal years ended December 31, 2018, 2017 and 2016 were \$15,564, \$0 and \$16,633, respectively. The aggregate intrinsic values of options outstanding for the fiscal years ended December 31, 2018, 2017 and 2016 were \$15,564, \$0 and \$16,633, respectively. The aggregate intrinsic values of options exercised during the fiscal years ended December 31, 2018, 2017 and 2016 are \$0, \$0 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 options vested during the fiscal years ended December 31, 2018, 2017 and 2016 was \$0, \$231,952 and \$828,497, respectively.

As of December 31, 2018, there was no remaining amount of unrecognized compensation cost related to unvested share-based compensation awards granted to employees under the option plans. Therefore, there is no cost to be recognized over any future weighted average periods.

The following table summarizes information about stock options outstanding at December 31, 2018:

Stock Options Outstanding

Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
\$26.40 - \$26.40	75,158	5.00	\$ 26.40
\$12.48 - \$12.84	141,000	6.00	\$ 12.48
\$2.02 - \$3.59	22,493	7.65	\$ 2.74
	<u>238,651</u>	<u>5.84</u>	<u>\$ 15.95</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, 2018 and changes during the year ended December 31, 2018 is presented as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2017	132,826	\$ 5.90
Granted	—	\$ —
Vested	(91,159)	\$ 3.55
Cancelled	—	\$ —
Unvested at December 31, 2018	<u>41,667</u>	<u>\$ 11.04</u>

The fair value of restricted stock awards vested during the years ended December 31, 2018, 2017 and 2016 was \$323,614, \$408,466 and \$715,406, respectively. The fair value of unvested restricted stock awards remaining at the periods ended December 31, 2018, 2017 and 2016 is \$460,000, \$500,754 and \$817,110, respectively. The weighted-average grant date fair value of restricted stock awards granted during the periods ended December 31, 2018, 2017 and 2016 were nil, nil and \$3.54, respectively. The weighted-average remaining contractual term of these restricted stock awards at the periods ended December 31, 2018, 2017 and 2016 are 0.8, 1.0 and 2.0 years, respectively. As of December 31, 2018, there was a total of \$69,000 unrecognized compensation cost related to unvested restricted stock awards.

The following table summarizes our common stock warrants outstanding at December 31, 2018:

Common Stock Warrants	Exercise Price	Termination Date
120,000	\$ 3.52	10/01/2021
65,625	\$ 12.00	07/12/2021
700,000	7.16	11/02/2023
<u>885,625</u>		

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Cuota Appreciation Rights

On August 4, 2017, the Company's board of directors (the "Board") adopted the Odyssey Marine Exploration, Inc. Key Employee Cuota Appreciation Rights (the "Key Employee Plan") and the Odyssey Marine Exploration, Inc. Nonemployee Director Cuota Appreciation Rights (the "Director Plan" and, together with the Key Employee Plan, the "Cuota Plans"). The Cuota Plans provide for the award of cuota appreciation rights ("CARs") to eligible participants. A "cuota" is a unit of equity interest under Panamanian law, and the value of the CARs will be determined based upon the appreciation, if any, in the value of the cuotas of Oceanica Resources, S. de R.L., a Panamanian sociedad de responsabilidad limitada ("Oceanica"), after the award of such CARs. The Company indirectly holds a majority stake in Oceanica.

The Board authorized the award of up to 750,000 CARs under the Key Employee Plan and the award of up to 600,000 CARs under the Director Plan. The terms of any CARs awarded under the Cuota Plans will be set forth in an award agreement between the Company and each participant, and the award agreement will set forth a vesting schedule for the CARs. In general, unvested CARs will be forfeited upon a participant's separation of service from the Company, and all vested and unvested CARs will be forfeited upon a participant's separation of service from the Company for "cause" (as defined in the Cuota Plans).

Each participant in the Cuota Plans will be entitled to be paid the value of such participant's CARs upon the occurrence of a "payment event." As used in the Cuota Plans, payment events consist of a change in control of the Company or the date specified in the applicable award agreement and, in the case of the Key Employee Plan, a separation of service without cause and the participant's continuous employment with the Company until the date specified in the applicable award agreement. The value of CARs liability will be based upon the difference between the basis in the cuotas of Oceanica on the date of the award of the CARs, which is \$3.00, and the fair value of the cuotas on the date used for the payment event, in each case as determined by the Board in accordance with the provisions of the Cuota Plans. The fair value of the cuota as of October 31, 2018 is \$1.53.

The following is an analysis of activity in the CARs balances as of December 31, 2018:

	Number of CARs	
	Key Employee Plan	Nonemployee Director Plan
Unvested at December 31, 2017	229,076	—
Granted	406,384	278,000
Vested	(249,880)	(278,000)
Cancelled	—	—
Unvested at December 31, 2018	<u>385,580</u>	<u>—</u>

At December 31, 2018, there was no liability or associated compensation cost associated with these CARs. At December 31, 2018, there were 364,420 vested CARs outstanding and there were no exercisable CARs outstanding related to the Key Employee Plan. The CARs in the Nonemployee Director Plan are utilized as compensation for services, therefore these CARs vest upon grant. At December 31, 2018, the Nonemployee Director Plan had 500,000 CARs vested and outstanding. Since there is not a readily available market that would value the cuota, we use the services of an outside professional and independent valuation firm to determine the fair value of the Cuota.

NOTE M – INCOME TAXES

As of December 31, 2018, the Company had consolidated income tax net operating loss ("NOL") carryforwards for federal tax purposes of approximately \$167,402,048 and net operating loss carryforwards for foreign income tax purposes of approximately \$39,589,337. The federal NOL carryforwards from 2005 forward will expire in various years beginning 2025 and ending through the year 2037. From 2025 through 2027, approximately \$43 million of the NOL will expire, and from 2028 through 2036, approximately \$116 million of the NOL will expire. The NOL generated in 2018 of approximately \$8M will be carried forward indefinitely.

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Current			
Federal	\$ —	\$ —	\$ —
State	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Deferred			
Federal	\$ —	\$ —	\$ —
State	—	—	—
	<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 as of December 31, 2018 are as follows:

Deferred tax assets:	
Net operating loss and tax credit carryforwards	\$ 48,404,432
Capital loss carryforward	147,552
Accrued expenses	559,096
Reserve for Dorado accounts receivable	287,335
Start-up costs	7,042
Excess of book over tax depreciation	707,044
Stock option and restricted stock award expense	1,331,067
Investment in unconsolidated entities	1,387,970
Less: valuation allowance	(52,684,059)
	<u>\$ 147,479</u>
Deferred tax liability:	
Property and equipment basis	\$ 43,155
Prepaid expenses	104,324
	<u>\$ 147,479</u>
Net deferred tax asset	<u>\$ —</u>

As reflected above, we have recorded a net deferred tax asset of \$0 at December 31, 2018. 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 realized without the recovery and rights of ownership or salvage rights of high-value shipwrecks or other forms of taxable income, thus a valuation allowance has been recorded as of December 31, 2018.

The change in the valuation allowance is as follows:

December 31, 2018	\$52,684,059
December 31, 2017	49,235,133
Change in valuation allowance	<u>\$ 3,448,926</u>

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into United States tax law. The Company has adjusted its deferred tax assets, deferred tax liabilities, and valuation allowance at December 31, 2017 to reflect the Act's reduction of corporate income tax rates.

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The federal and state income tax provision (benefit) is summarized as follows for the years ended:

	December 31, 2018	December 31, 2017	December 31, 2016
Expected (benefit)	\$(1,923,757)	\$ (3,718,058)	\$(2,186,550)
Effects of:			
State income taxes net of federal benefits	(92,707)	(110,667)	(65,082)
Nondeductible expense	29,670	711,679	(1,083,185)
Change in valuation allowance	3,765,560	28,258,724	4,189,828
Foreign Rate Differential	(1,778,766)	(1,097,681)	(855,011)
Change in Deferred Taxes due to enacted changes in tax law	—	(24,043,997)	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Company's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income before income taxes primarily because of certain expenses deductible for financial reporting purposes that are not deductible for tax purposes, research and development tax credits, operating loss carryforwards, and adjustments to previously-recorded deferred tax assets and liabilities due to the enactment of the Tax Cuts and Jobs Act.

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

The earliest tax year still subject to examination by a major taxing jurisdiction is 2015.

NOTE N – MAJOR CUSTOMERS

For the fiscal year ended December 31, 2018, we had two customers that accounted for 97.0% of our total revenue. During the fiscal year ended December 31, 2017, we had one customer that accounted for 99.0% of our total revenue.

NOTE O – 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" and the "Cambridge" ("HMS *Sussex*") projects and have recorded \$887,500 as Deferred Income from Revenue Participation Rights (See NOTE K). We are contingently liable to share the future revenue of these projects only if revenue is derived from these specific projects. During January 2019, the United Kingdom's Ministry of Defense finalized the unilateral cancellation of the HMS *Sussex* agreement due to force majeure.

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.

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 K).

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. This amount has been bifurcated equally between the SS *Gairsoppa* and HMS *Victory* projects. The SS *Gairsoppa* has been paid in full. See NOTE K for further detail.

Legal Proceedings

The Company may be subject to a variety of other claims and lawsuits that arise from time to time in the ordinary course of business. We are currently not a party to any pending litigation.

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Contingency

During March 2016, our Board of Directors approved the grant and issuance of 3.0 million new equity shares of Oceanica Resources, S.R.L. to two attorneys for their future services. This equity is only issuable upon the Mexican's government approval of the Environmental Impact Assessment ("EIA") for our Mexican subsidiary. This grant of new shares was also approved by the Administrators of Oceanica Resources, S.R.L. We also owe consultants contingent success fees of up to \$425,000 upon the approval and issuance of the EIA. The EIA has not been approved as of the date of this report.

Going Concern Consideration

We have experienced several years of net losses and may continue to do so. Our ability to generate net income or positive cash flows for the following twelve months is dependent upon our success in developing and monetizing our interests in mineral exploration entities, generating income from exploration charters, collecting on amounts owed to us, and completing the MINOSA/Penelope equity financing transaction approved by our stockholders on June 9, 2015.

Our 2019 business plan requires us to generate new cash inflows to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the monetization of our receivables and equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. If cash inflow is not sufficient to meet our desired projected business plan requirements, we will be required to follow a contingency business plan which is based on curtailed expenses and fewer cash requirements. On March 11, 2015, we entered into a Stock Purchase Agreement with Minera del Norte S.A. de c.v. ("MINOSA") and Penelope Mining LLC ("Penelope"), an affiliate of MINOSA, pursuant to which (a) MINOSA agreed to extend short-term, debt financing to Odyssey of up to \$14.75 million, and (b) Penelope agreed to invest up to \$101 million over three years in convertible preferred stock of Odyssey. The equity financing is subject to the satisfaction of certain conditions, including the approval of our stockholders which occurred on June 9, 2015, and MINOSA and Penelope are currently under no obligation to make the preferred share equity investments. (See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Financings.)

Our consolidated non-restricted cash balance at December 31, 2018 was \$2.8 million which is insufficient to support operations for the following 12 months. We have a working capital deficit at December 31, 2018 of \$37.4 million. Our largest loan of \$14.75 million from MINOSA had a due date of December 31, 2017 which is now linked to other stipulations, see NOTE H for further detail. The majority of our remaining assets have been pledged to MINOSA, and its affiliates, and to Monaco Financial LLC, leaving us with few opportunities to raise additional funds from our balance sheet. The total consolidated book value of our assets was approximately \$5.4 million at December 31, 2018 and the fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangement with Penelope, Penelope must purchase the shares for us to be able to complete the equity component of the transaction. The Penelope equity transaction is heavily dependent on the outcome of our subsidiary's application approval process for an environmental permit to commercially develop a mineralized phosphate deposit off the coast of Mexico. The factors noted above raise doubt about our ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

NOTE P – QUARTERLY FINANCIAL DATA – UNAUDITED

The following tables present certain unaudited consolidated quarterly financial information for each of the past eight quarters ended December 31, 2018 and 2017. 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, 2018			
	Quarter Ending			
	March 31	June 30	September 30	December 31
Revenue – net	\$ 511,735	\$1,073,479	\$ 886,327	\$ 804,212
Gross profit	511,735	1,073,479	886,327	804,212
Net income (loss)	(1,744,762)	(641,557)	(1,309,275)	(1,476,842)
Basic and diluted net income per share	\$ (0.21)	\$ (0.08)	\$ (0.15)	\$ (0.16)

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	Fiscal Year Ended December 31, 2017			
	Quarter Ending			
	March 31	June 30	September 30	December 31
Revenue – net	\$ 649,353	\$ 587,270	\$ 11,854	\$ —
Gross profit	649,353	587,270	11,854	—
Net income (loss)	(2,199,263)	(1,916,885)	(2,251,097)	(1,392,227)
Basic and diluted net income per share	\$ (0.28)	\$ (0.23)	\$ (0.27)	\$ (0.17)

NOTE Q – OTHER DEBT

We currently owe a vendor approximately \$0.6 million as a trade payable. This trade payable bears a simple annual interest rate of 12%. As collateral, they were granted a primary lien on certain items of our marine equipment. The carrying value of this equipment is zero. This agreement matured in August of 2018. During the three-months ended June 30, 2018, we sold various marine equipment to Magellan for \$1.0 million and the assumption of this vendor's trade payable and accrued interest, however, we remain as guarantor on this trade payable. We recorded a gain of approximately \$0.9 million from the cash proceeds alone. Included in this equipment is the equipment noted above the vendor has a primary lien on. The vendor has consented to Magellan's assumption of this debt but did not release us from our obligations. If Magellan defaults and the vendor forecloses on this equipment currently in possession of Magellan we then have a contingent liability to Magellan in the amount of \$0.5 million for two of the key assets.

SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS
For the Fiscal Years of 2016, 2017 and 2018
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>
Inventory reserve					
2016	—	—	—	—	—
2017	—	—	—	—	—
2018	—	—	—	—	—
Accounts receivable reserve					
2016	2,315,797	—	29,932	—	2,345,729
2017	2,345,729	—	—	(2,345,729)	—
2018	—	—	—	—	—

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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	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K dated February 24, 2006)
3.3	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)
3.4	Certificate of Amendment filed with the Nevada Secretary of State on February 18, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed February 19, 2016)
3.5	Certificate of Change filed with the Nevada Secretary of State on February 18, 2016 (incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K filed February 19, 2016)
3.6	Certificate of Withdrawal filed with the Nevada Secretary of State on June 29, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed July 6, 2016)
3.7	Amendment to Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Report on Form 8-K filed August 15, 2017)
4.1	Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Report on Form 8-K filed November 2, 2018)
10.1	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)
10.2*	2005 Equity Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Report on Form 8-K dated August 3, 2005)
10.3	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)
10.4*	Employment Agreement dated August 7, 2014, between the Company and Mark D. Gordon (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)
10.5**	Loan Agreement dated August 14, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Amendment No. 1 to Quarterly Report on Form 10-Q filed February 27, 2015)
10.6**	Promissory Note dated August 14, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Amendment No. 1 to Quarterly Report on Form 10-Q filed February 27, 2015)
10.7*	2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated January 2, 2015)
10.8	Stock Purchase Agreement dated March 11, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated March 13, 2015)
10.9	Promissory Note dated March 11, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated March 13, 2015)
10.10	Pledge Agreement dated March 11, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K dated March 13, 2015)
10.11	Amendment No. 1 to Stock Purchase Agreement dated April 10, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated April 15, 2015)
10.12	Amendment No. 1 to Promissory Note dated April 10, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated April 15, 2015)
10.13	Amendment No. 1 to Pledge Agreement dated April 10, 2015 (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K dated April 15, 2015)
10.14	Amendment No. 2 to Promissory Note dated October 1, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated October 5, 2015)
10.15	Promissory Note dated October 30, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 5, 2015)

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<u>Exhibit Number</u>	<u>Description</u>
10.16	<u>Acquisition Agreement dated December 10, 2015 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015)</u>
10.17	<u>Amendment to Promissory Notes dated December 10, 2015 (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)</u>
10.18	<u>Amendment No. 3 to Promissory Note dated December 15, 2015 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K dated March 18, 2016)</u>
10.19	<u>Consulting Agreement dated December 10, 2015, between the Company and Gregory P. Stemm (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)</u>
10.20	<u>Convertible Promissory Note dated March 18, 2016 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated March 18, 2016)</u>
10.21	<u>Loan and Security Agreement dated April 15, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated April 21, 2016)</u>
10.22	<u>Convertible Promissory Note dated April 15, 2016 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated April 21, 2016)</u>
10.23	<u>Amended and Restated Note Purchase Agreement dated October 1, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated October 6, 2016)</u>
10.24	<u>Common Stock Purchase Warrant dated October 1, 2016 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K dated October 6, 2016)</u>
10.25	<u>Note Purchase Agreement dated August 10, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed August 15, 2017)</u>
10.26	<u>Convertible Promissory Note dated August 10, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed August 15, 2017)</u>
10.27	<u>Second Amended and Restated Convertible Promissory Note dated August 10, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K filed August 15, 2017)</u>
10.28	<u>Second Amended and Restated Waiver and Consent and Amendment No. 5 to Promissory Note and Amendment No. 2 to Stock Purchase Agreement dated August 10, 2017 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K filed August 15, 2017)</u>
10.29	<u>Loan and Security Agreement and First Amendment to Loan Agreement dated April 20, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed April 26, 2018)</u>
10.30	<u>Promissory Note dated April 20, 2018 (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed April 26, 2018)</u>
10.31	<u>Amended and Restated Loan and Security Agreement dated April 20, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K filed April 26, 2018)</u>
10.32	<u>Amended and Restated Convertible Promissory Note dated April 20, 2018 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K filed April 26, 2018)</u>
10.33	<u>Note and Warrant Purchase Agreement dated July 12, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K filed July 18, 2018)</u>
10.34	<u>Form of Secured Convertible Promissory Note (incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K filed July 18, 2018)</u>
10.35	<u>Form of Warrant to Purchase Common Stock (incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K filed July 18, 2018)</u>
10.36	<u>First Amendment to Note and Warrant Purchase Agreement dated October 4, 2018 (incorporated by reference to Exhibit 10.4 to the Company's Report on Form 8-K filed October 9, 2018)</u>
10.37	<u>2019 Stock Incentive Plan dated March 26, 2019 (Filed herewith electronically)</u>
21.1	<u>Subsidiaries of the Registrant</u>
23.1	<u>Consent of Ferlita, Walsh, Gonzalez & Rodriguez, P.A., Independent Accountants (filed herewith electronically)</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith electronically)</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith electronically)</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith electronically)</u>

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Exhibit Number	<u>Description</u>
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith electronically)
101.1	XBRL Interactive Data File

* Management contract or compensatory plan.
** Portions of these exhibits have been omitted pursuant to a confidential treatment request. The omitted information has been filed separately with the Securities and Exchange Commission.

ODYSSEY MARINE EXPLORATION, INC.**2019 STOCK INCENTIVE PLAN****SECTION 1.
PURPOSE**

The purpose of this Plan is to promote the growth and prosperity of the Company and its Subsidiaries by providing Eligible Recipients with an additional incentive to contribute to the Company's success, by assisting the Company in attracting and retaining the best available personnel for positions of substantial responsibility and by increasing the alignment of interests of Eligible Recipients with those of the Company's Stockholders. The Plan provides for the grant of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Restricted Stock Units and Stock Appreciation Rights to aid the Company in obtaining these goals. The Plan, as well as any amendments thereto that requires Stockholder approval, will be submitted to the Company's Stockholders for their approval at the next annual Stockholder meeting.

**SECTION 2.
DEFINITIONS**

The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supersede the definition contained in this Section 2.

2.1 "Award" means the grant of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit or other right or benefit under the Plan.

2.2 "Award Agreement" means the written agreement (including electronic form) evidencing the grant of an Award executed by the Company and Participant, including any amendments thereto.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" means, with respect to the Termination by the Company or a Subsidiary of the continuous service of the Participant, that such Termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Participant and the Company or such Subsidiary, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Committee, the Participant's: (i) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Subsidiary; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Subsidiary; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; *provided, however*, that with regard to any agreement that defines "Cause" on the occurrence of or in connection with a Change in Control, such definition of "Cause" shall not apply until a Change in Control actually occurs.

2.5 "Change in Control" means any of the following:

(a) any "person" as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any company owned, directly or indirectly, by the Stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; or

(b) a change in the composition of the Board over a period of 12 months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who are Continuing Directors; or

(c) the consummation of a Stockholder approved merger or consolidation of the Company with any other company, other than (1) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as herein defined) acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(d) the consummation of a Stockholder approved plan of liquidation, dissolution or winding up of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; *provided, however*, that the execution and delivery of the Stock Purchase Agreement dated as of March 11, 2015, by and among the Company, Penelope Mining LLC, and Minera del Norte S.A. de C.V., (the "Purchase Agreement"), the consummation of the transactions contemplated by the Purchase Agreement, or the performance by the Company of its obligations under the Purchase Agreement, shall not constitute a Change in Control for purposes of this Plan or any individual Award Agreement evidencing an Award.

Notwithstanding anything herein to the contrary, to the extent required to comply with Section 409A, no event shall constitute a Change in Control Event unless such event also constitutes a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i).

2.6 "Code" means the Internal Revenue Code of 1986, as amended and any regulations thereunder.

2.7 "Committee" means the Compensation Committee of the Board or any other committee appointed by the Board to administer the Plan, as specified in Section 5 hereof. Any such committee must be comprised entirely of Outside Directors who are "independent" as that term is defined by the Securities and Exchange Commission, and the listing standards of the stock exchange or other market upon which the Company's stock is listed or quoted, as the same may be amended from time to time.

2.8 "Common Stock" means the \$.0001 par value common stock of the Company.

2.9 "Company" means Odyssey Marine Exploration, Inc., a Nevada corporation, and any successor to such organization.

2.10 "Consultant" means any person other than an Employee or a Director, who is engaged by the Company or any Subsidiary to render consulting or advisory services to the Company or such Subsidiary and is deemed a consultant as defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended, or any successor form.

2.11 "Continuing Director" means members of the Board who either (i) have been Board members continuously for a period of at least 12 months or (ii) have been Board members for less than 12 months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

2.12 "Director" means a member of the Board or the board of directors of any Subsidiary.

2.13 "Disability" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code.

2.14 "Double Trigger" means a Change in Control ("first trigger") and a Qualifying Termination of the executive's employment by the company without Cause or by the executive with Good Reason ("second trigger").

2.15 "Eligible Recipient" means an Employee, Consultant or a Non-Employee Director.

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- 2.16 “Employee” means any person who is in the employ of the Company or any Subsidiary, subject to the control and direction of the Company or any Subsidiary as to both the work to be performed and the manner and method of performance.
- 2.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- 2.18 “Exercise Price” means the price that shall be paid to purchase one (1) Share upon the exercise of an Option granted under this Plan.
- 2.19 “Fair Market Value” of a Share on any date shall mean the closing sales price on a national securities exchange of a Share as reported in the appropriate composite listing for said exchange on such date, or, if no such sales occurred on such date, then on the next preceding date on which a sale is made. In the event the Shares are traded in the over the counter market, Fair Market Value of a Share means the average between the “high” and “low” quotations in the over the counter market on such date, as reported by the National Association of Securities Dealers through NASDAQ or, if no quotations are available on such date, then on the next preceding date on which such quotations are available.
- 2.20 “Good Reason” means voluntary resignation after any of the following actions taken occur after a Change in Control without prior written consent: (i) a material diminution in base salary; (ii) a material diminution in the Participant’s authority, duties, or responsibilities; or (iii) a change of over 40 miles in the geographic location of the principal office where the Participant performs services. Notwithstanding the foregoing, if the term good reason is expressly defined in a then-effective written agreement between the Participant and the Company or such Subsidiary then such definition shall control.
- 2.21 “Insider” means an individual who is, on the relevant date, an officer, member of the Board or ten percent (10%) beneficial owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.
- 2.22 “ISO” (Incentive Stock Option) means an Option granted under this Plan to purchase Shares that is intended by the Company to satisfy the requirements of Code Section 422 as an incentive stock option.
- 2.23 “Non-Employee Director” means a member of the Board who is not an employee of the Company.
- 2.24 “NQSO” (Non-Qualifying Stock Option) means an Option granted under this Plan to purchase Shares which is not intended by the Company to satisfy the requirements of Code Section 422.
- 2.25 “Option” means an ISO or a NQSO.
- 2.26 “Outside Director” means a member of the Board who is not an Employee and who qualifies as a “non-employee director” under Rule 16b-3(b)(3) under the 1934 Act, as amended from time to time.
- 2.27 “Participant” means an individual who receives an Award hereunder.
- 2.28 “Performance Period” shall mean the period during which a performance goal must be attained with respect to an Award which is performance based, as determined by the Committee pursuant to Section 14.3 hereof.
- 2.29 “Plan” means this plan, (the “2019 Stock Incentive Plan”), as it may be further amended from time to time.
- 2.30 “Qualifying Event” shall mean, with respect to a Participant, such Participant’s death, Disability or Retirement.

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- 2.31 “Qualifying Termination” shall mean, a Company initiated Termination not for Cause or a Participant Termination for Good Reason either of which occur from six months prior to until twenty-four months after the occurrence of a Change in Control.
- 2.32 “Restricted Stock Award” means an Award of Shares granted to a Participant under this Plan which is subject to restrictions in accordance with the terms and provisions of this Plan and the applicable Award Agreement.
- 2.33 “Restricted Stock Unit” means a contractual right granted to a Participant under this Plan to receive a payment in cash or Share which is subject to restrictions of this Plan and the applicable Award Agreement.
- 2.34 “Retirement” shall mean, with respect to an Eligible Recipient, such Eligible Recipient’s (i) Termination of employment or cessation of performing services after attainment of age 60 and completion of at least ten (10) years of service with the Company or Subsidiary, or (ii) Termination of employment or cessation of performing services after attainment of age 65 and completion of at least five (5) years of service with the Company or a Subsidiary.
- 2.35 “Share” means a share of Common Stock.
- 2.36 “Stock Appreciation Right” means a right granted to a Participant pursuant to the terms and provisions of this Plan whereby the individual, without payment to the Company (except for any applicable withholding or other taxes), receives Shares, or cash, in an amount equal to the excess of the Fair Market Value per Share on the date on which the Stock Appreciation Right is exercised over the exercise price per Share noted in the Stock Appreciation Right, for each Share subject to the Stock Appreciation Right.
- 2.37 “Subsidiary” means any corporation in which more than fifty percent (50%) of the voting stock is owned or controlled, directly or indirectly, by the Company.
- 2.38 “Ten Percent Stockholder” means a person who owns (after taking into account the attribution rules of Code Section 424(d)) more than ten percent (10%) of the total combined voting power of all classes of shares of stock of either the Company or a Subsidiary.
- 2.39 “Termination” means the termination of the employment, consulting, advisory or service relationship between a Participant and the Company and its Subsidiaries, regardless of whether severance or similar payments are made to the Participant for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or Retirement. The Committee will, in its absolute discretion, determine the effect of all matters and questions relating to Termination as it affects an Award.

SECTION 3. SHARES SUBJECT TO AWARDS

- 3.1 Reserve of Shares for Awards. The total number of Shares that may be issued pursuant to Awards under this Plan shall not exceed **Eight Hundred Thousand (800,000)**, of which any number may be used for Stock Options, Restricted Stock, Restricted Stock Units, or Stock Appreciation Rights, each as adjusted pursuant to Section 10.
- 3.2 Share Counting. For purposes of counting the number of Shares available for the grant of Awards under the Plan under this Section 3:
- (a) all Shares covered by Stock Appreciation Rights shall be counted against the number of Shares available for the grant of Awards under the Plan; *provided, however*, that (i) Stock Appreciation Rights that may be settled only in cash shall not be so counted and (ii) if the Company grants a Stock Appreciation Right in tandem with an Option for the same number of Shares and provides that only one such Award may be exercised (a “*Tandem Stock Appreciation Right*”), only the shares covered by the Option, and not the shares covered by the Tandem Stock Appreciation Right, shall be so counted, and the expiration of one in connection with the other’s exercise will not restore shares to the Plan;

(b) to the extent that an Award may be settled only in cash, no shares shall be counted against the shares available for the grant of Awards under the Plan;

(c) if any Award (i) expires or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of Shares subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Shares not being issued (including as a result of an Stock Appreciation Right that was settleable either in cash or in Stock actually being settled in cash), the unused Shares covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of the exercise of an Stock Appreciation Right, the number of Shares counted against the Shares available under the Plan shall be the full number of shares subject to the Stock Appreciation Right multiplied by the percentage of the Stock Appreciation Right actually exercised, regardless of the number of shares actually used to settle such Stock Appreciation Right upon exercise and (3) the Shares covered by a Tandem Stock Appreciation Right shall not again become available for grant upon the expiration or termination of such Tandem Stock Appreciation Right;

(d) Shares delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) purchase Shares upon the exercise of an Award or (ii) satisfy tax withholding obligations with respect to Awards (including Shares retained from the Award creating the tax obligation) shall not be added back to the number of Shares available for the future grant of Awards; and

(e) Shares repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of Shares available for future grant of Awards.

SECTION 4. EFFECTIVE DATE

The effective date of this Plan shall be June 3, 2019, which is the date on which the Company's Stockholders approved the Plan.

SECTION 5. ADMINISTRATION

5.1 General Administration. This Plan shall be administered by the Committee. The Committee, acting in its absolute discretion, shall exercise such powers and take such action as expressly called for under this Plan. The Committee shall have the power to interpret this Plan and, subject to the terms and provisions of this Plan, to take such other action in the proper administration and operation of the Plan as it deems equitable under the circumstances. The Committee's actions shall be final and binding on the Company, on each affected Eligible Recipient, and on each other person directly or indirectly affected by such actions.

5.2 Authority of the Committee. Except as limited by applicable law or by the Articles of Incorporation of the Company, and subject to the provisions herein, the Committee shall have full power to select Eligible Recipients who shall participate in the Plan, to determine the sizes and types of Awards in a manner consistent with the Plan, to determine the terms and conditions of Awards in a manner consistent with the Plan, to grant Awards under the Plan, to construe and interpret the Plan and any agreement or instrument entered into under the Plan, to establish, amend or waive rules and regulations for the Plan's administration, and to amend the terms and conditions of any outstanding Awards as allowed under the Plan and such Award Agreements. Further, the Committee may make all other determinations which may be necessary or advisable for the administration of the Plan. The Committee may seek the assistance of such persons as it may see fit in carrying out its routine administrative functions concerning the Plan.

5.3 Delegation of Authority. The members of the Committee and any other persons to whom authority has been delegated shall be appointed from time to time by, and shall serve at the discretion of, the Board. The Committee may appoint one or more separate committees (any such committee, a "Subcommittee") composed of two or more Outside Directors of the Company (who may but need not be members of the Committee) and may delegate to any such Subcommittee the authority to grant Awards, and/or to administer the Plan or any aspect of it. Notwithstanding any provision of this Plan to the contrary, the Board may assume the powers and responsibilities granted to the Committee or other delegate at any time, in whole or in part. Moreover, only the Committee may grant Awards to Insiders that may be exempt from Section 16(b) of the Exchange Act.

5.4 Decisions Binding. All determinations and decisions made by the Committee pursuant to the provisions of this Plan and all related orders and resolutions of the Committee shall be final, conclusive and binding on all persons, including the Company, its Stockholders, members of the Board, Eligible Recipients, Participants, and their estates and beneficiaries.

SECTION 6. ELIGIBILITY

Eligible Recipients selected by the Committee shall be eligible for the grant of Awards under this Plan, but no Eligible Recipient shall have the right to be granted an Award under this Plan merely as a result of his or her status as an Eligible Recipient. Only Employees shall be eligible to receive a grant of ISOs.

SECTION 7. TERMS OF AWARDS

7.1 Terms and Conditions of All Awards.

(a) Grants of Awards. Subject to subsection (e) below, the Committee, in its absolute discretion, shall grant Awards under this Plan from time to time and shall have the right to grant new Awards in exchange for outstanding Awards; provided, however, the Committee shall not without the prior consent of the stockholders have the right to (1) lower the Exercise Price of an existing Option or lower the exercise price of an existing Stock Appreciation Right, (2) take any action which would be treated as a "re-pricing" under generally accepted accounting principles, or (3) replace or cancel an existing Option or Stock Appreciation Right at a time when its Exercise Price or exercise price, as applicable, exceeds the fair market value of the underlying stock subject to such Option or Stock Appreciation Right in exchange for cash, other Award, or Option or Stock Appreciation Right with an Exercise Price or exercise price, as applicable, that is less than the Exercise Price or exercise price of the original Option or Stock Appreciation Right (except as provided in Sections 10 and 11). Awards shall be granted to Eligible Recipients selected by the Committee, and the Committee shall be under no obligation whatsoever to grant any Awards, or to grant Awards to all Eligible Recipients, or to grant all Awards subject to the same terms and conditions.

(b) Shares Subject to Awards. The number of Shares as to which an Award shall be granted shall be determined by the Committee in its sole discretion, subject to the provisions of Section 3 as to the total number of Shares available for grants under the Plan, and to any other restrictions contained in this Plan.

(c) Award Agreements. Each Award shall be evidenced by an Award Agreement executed by the Company or a Subsidiary, and may also be executed by the Participant or accepted by the Participant by electronic transmission, which shall be in such form and contain such terms and conditions (including and without limitation, vesting conditions and events that may trigger accelerated vesting) as the Committee in its discretion may, subject to the provisions of the Plan, from time to time determine.

(d) Date of Grant. The date an Award is granted shall be the date on which the Committee (1) has approved the terms and conditions of the Award Agreement, (2) has determined the recipient of the Award and the number of Shares covered by the Award and (3) has taken all such other action necessary to direct the grant of the Award.

(e) Dividend Equivalents. The Committee may grant dividend equivalents to any Participant. No dividends or dividend equivalents may be granted on Options, Restricted Stock Units, or Stock Appreciation Rights. The Committee shall establish the terms and conditions to which the dividend equivalents are subject. Dividend equivalents may be granted only in connection with an Award. Under a dividend equivalent, a Participant shall be entitled to receive currently or in the future payments equivalent to the amount of dividends paid by the Company to

holders of Common Stock with respect to the number of dividend equivalents held by the Participant. Notwithstanding the foregoing, any dividend equivalents on any Award shall accrue and be paid only if and to the extent the Common Stock underlying the Award become vested or payable. The dividend equivalent may provide for payment in Common Stock or in cash, or a fixed combination of Common Stock or cash, or the Committee may reserve the right to determine the manner of payment at the time the dividend equivalent is payable.

(f) Deferral Elections. The Committee may permit or require Participants to elect to defer the issuance of Common Stock or the settlement of Awards in cash under this Plan pursuant to such rules, procedures, or programs as it may establish from time to time and in accordance with the requirements of Code Section 409A. However, notwithstanding the preceding sentence, the Committee shall not, in establishing the terms and provisions of any Award, or in exercising its powers under this Article, create any arrangement which would constitute an employee pension benefit plan as defined in ERISA Section 3(3) unless the arrangement provides benefits solely to one or more individuals who constitute members of a select group of management or highly compensated employees.

7.2 Terms and Conditions of Options.

(a) Grants of Options. Each grant of an Option shall be evidenced by an Award Agreement that shall specify whether the Option is an ISO (“Incentive Stock Option”) or NQSO (“Nonqualified Stock Option”), and incorporate such other terms as the Committee deems consistent with the terms of this Plan and, in the case of an ISO, necessary or desirable to permit such Option to qualify as an ISO. The Committee and/or the Company may modify the terms and provisions of an Option in accordance with Section 12 of this Plan even though such modification may change the Option from an ISO to a NQSO.

(b) Determining Eligible Recipients. In determining Eligible Recipient(s) to whom an Option shall be granted and the number of Shares to be covered by such Option, the Committee may take into account the duties of the Eligible Recipient, the contributions of the Eligible Recipient to the success of the Company, and other factors deemed relevant by the Committee, in connection with accomplishing the purpose of this Plan. An Eligible Recipient who has been granted an Option to purchase Shares, whether under this Plan or otherwise, may be granted one or more additional Options. If the Committee grants an ISO and a NQSO to an Eligible Recipient on the same date, the right of the Eligible Recipient to exercise one such Option shall not be conditioned on the Eligible Recipient’s failure to exercise the other such Option.

(c) Exercise Price. Subject to adjustment in accordance with Section 10 and the other provisions of this Section, the Exercise Price shall be specified in the applicable Award Agreement. With respect to each grant of an ISO to a Participant who is not a Ten Percent Stockholder, the Exercise Price shall not be less than the Fair Market Value of a Share on the date the ISO is granted. With respect to each grant of an ISO to a Participant who is a Ten Percent Stockholder, the Exercise Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of a Share on the date the ISO is granted. If an Award is a NQSO, the Exercise Price for each Share shall be no less than the Fair Market Value of a Share on the date the NQSO is granted.

(d) Option Term. Each Option granted under this Plan shall be exercisable in whole or in part at such time or times as set forth in the related Award Agreement, but no Award Agreement shall:

(i) make an Option exercisable prior to the date such Option is granted or after it has been exercised in full; or

(ii) make an Option exercisable after the date that is (A) the tenth (10th) anniversary of the date such Option is granted, if such Option is a NQSO or an ISO granted to a non-Ten Percent Stockholder, or (B) the date that is the fifth (5th) anniversary of the date such Option is granted, if such Option is an ISO granted to a Ten Percent Stockholder. Options issued under the Plan may become exercisable based on the service of a Participant, or based upon the attainment (as determined by the Committee) of performance goals established pursuant to one or more of the performance criteria listed in Section 14. An Award Agreement may provide for the exercise of an Option after Termination of a Participant for any reason whatsoever, including the occurrence of a Qualifying Event. The Participant’s rights, if any, upon Termination will be set forth in the applicable Award Agreement.

(e) Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, specifying the number of Shares with respect to which the Option is to be exercised accompanied by full payment for the Shares. Payment for shares of Stock shall be made in cash or, unless the Award Agreement provides otherwise, by delivery to the Company of a number of Shares that have been owned and completely paid for by the holder for at least six (6) months prior to the date of exercise (i.e., "mature shares" for accounting purposes) having an aggregate Fair Market Value equal to the amount to be tendered, or a combination thereof. In addition, unless the Award Agreement provides otherwise, the Option may be exercised through a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board so long as the Company's equity securities are registered under Section 12 of the Exchange Act. Notwithstanding the foregoing, with respect to any Option recipient who is an Insider, a tender of shares or, if permitted by applicable law, a cashless exercise must (1) have met the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act, or (2) be a subsequent transaction the terms of which were provided for in a transaction initially meeting the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act. Unless the Award Agreement provides otherwise, the foregoing exercise payment methods shall be subsequent transactions approved by the original grant of an Option. Except as provided in subparagraph (f) below, payment shall be made at the time that the Option or any part thereof is exercised, and no Shares shall be issued or delivered upon exercise of an Option until full payment has been made by the Participant. The holder of an Option, as such, shall have none of the rights of a Stockholder.

(f) Conditions to Exercise of an Option. Each Option granted under the Plan shall vest and shall be exercisable at such time or times, or upon the occurrence of such event or events, and in such amounts, as the Committee shall specify in the Award Agreement; provided, however, that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may vest or be exercised in whole or in part. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option as it may deem advisable. Unless otherwise provided in the applicable Award Agreement, any vested Option must be exercised within ninety (90) days of the Qualifying Event or other Termination of employment of the Participant, unless, in case of a NQSO, by action of the Committee coincident with the Qualifying Event or other Termination of employment, the term of exercise is extended to no later than the original expiration date of such NQSO.

(g) Transferability of Options. No Option granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except upon the death of the holder Participant, by will or by the laws of descent and distribution, or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that, except with respect to Awards subject to Section 409A, the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 7.2(g) shall be deemed to restrict a transfer to the Company. During the Participant's lifetime, only the Participant may exercise his Option unless the Participant is incapacitated in which case the Option may be exercised by the Participant's legal guardian, legal representative, or other representative whom the Committee deems appropriate based on applicable facts and circumstances. The determination of incapacity of a Participant and the identity of appropriate representative of the Participant to exercise the Option if the Participant is incapacitated shall be determined by the Committee.

(h) ISO Tax Treatment Requirements. With respect to any Option that purports to be an ISO, to the extent that the aggregate Fair Market Value (determined as of the date of grant of such Option) of Shares with respect to which such Option is exercisable for the first time by any individual during any calendar year exceeds one hundred thousand dollars (\$100,000.00), to the extent of such excess, such Option shall not be treated as an ISO in accordance with Code Section 422(d). The rule of the preceding sentence is applied as set forth in Treas. Reg. Section 1.422-4 and any additional guidance issued by the Treasury thereunder. Also, with respect to any Option that purports to be an ISO, such Option shall not be treated as an ISO if the Participant has not met the requirements of Code Section 422(a)(2).

7.3 Terms and Conditions of Restricted Stock Awards.

(a) Grants of Restricted Stock Awards. Shares awarded pursuant to Restricted Stock Awards shall be subject to such restrictions as determined by the Committee for periods determined by the Committee. Restricted Stock Awards issued under the Plan may have restrictions which lapse based upon the service of a Participant, or based upon the attainment of performance goals that the Committee may determine appropriate. The Committee may require a cash payment from the Participant in exchange for the grant of a Restricted Stock Award or may grant a Restricted Stock Award without the requirement of a cash payment.

(b) Vesting of Restricted Stock Awards. The Committee shall establish the vesting schedule applicable to Restricted Stock Awards and shall specify the times, vesting and performance goal requirements. Until the end of the period(s) of time specified in the vesting schedule and/or the satisfaction of any performance criteria, the Shares subject to such Award shall remain subject to forfeiture.

(c) Termination of Employment. If the Participant's employment (or in the case of a non-employee, such Participant's service) with the Company and/or a Subsidiary ends before the Restricted Stock Awards vest, the Participant shall forfeit all unvested Restricted Stock Awards, unless the Termination is a result of the occurrence of a Qualifying Event or the Committee determines that the Participant's unvested Restricted Stock Awards shall vest as of the date of such event.

(d) Death, Disability and Retirement. In the event a Qualifying Event occurs before the date or dates on which Restricted Stock Awards vest, the expiration of the applicable restrictions (other than restrictions based on performance criteria) shall be accelerated and the Participant shall be entitled to receive the Shares free of all such restrictions. In the case of Restricted Stock Awards which are based on performance criteria, then as of the date on which such Qualifying Event occurs, the Participant shall be entitled to receive a number of Shares that is determined by measuring the selected performance criteria from the Company's most recent publicly available quarterly results that are available as of the date the Qualifying Event occurs. All other Shares subject to such Restricted Stock Award shall be forfeited and returned to the Company as of the date on which such Qualifying Event occurs.

(e) Acceleration of Award. Notwithstanding anything to the contrary in this Plan, the Committee shall have the power to permit, in its sole discretion, an acceleration of the expiration of the applicable restrictions or the applicable period of such restrictions with respect to any part or all of the Shares awarded to a Participant.

(f) Necessity of Award Agreement. Each grant of a Restricted Stock Award shall be evidenced by an Award Agreement that shall specify the terms, conditions and restrictions regarding the Shares awarded to a Participant, and shall incorporate such other terms and conditions as the Committee, acting in its sole discretion, deems consistent with the terms of this Plan. The Committee shall have sole discretion to modify the terms and provisions of Restricted Stock Awards in accordance with Section 12 of this Plan.

(g) Transferability of Restricted Stock Awards. No Restricted Stock Award granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except upon the death of the holder Participant by will or by the laws of descent and distribution prior to vesting.

(h) Voting, Dividend & Other Rights. Holders of Restricted Stock Awards shall be entitled to vote and to receive dividends during the periods of restriction of their Shares to the same extent as such holders would have been entitled if the Shares were unrestricted Shares provided that all dividends or distributions whether paid in shares of Stock or cash, shall be held in escrow and be paid only if and to the extent the Restricted Stock vests and otherwise shall be forfeited.

7.4 Terms and Conditions of Restricted Stock Units.

(a) Grants of Restricted Stock Units. A Restricted Stock Unit shall entitle the Participant to receive one Share or cash equivalent to one share at such future time and upon such terms as specified by the Committee in the Award Agreement evidencing such Award. Restricted Stock Units issued under the Plan may have restrictions which lapse based upon the service of a Participant, or based upon the attainment of performance goals that the Committee may determine appropriate. The Committee may require a cash payment from the Participant in exchange for the grant of Restricted Stock Units or may grant Restricted Stock Units without the requirement of a cash payment.

(b) Vesting of Restricted Stock Units. The Committee shall establish the vesting schedule applicable to Restricted Stock Units and shall specify the times, vesting and performance goal requirements. Until the end of the period(s) of time specified in the vesting schedule and/or the satisfaction of any performance criteria, the Restricted Stock Units subject to such Award shall remain subject to forfeiture.

(c) Termination of Employment. If the Participant's employment (or in the case of a non-employee, such Participant's service) with the Company and/or a Subsidiary ends before the Restricted Stock Units vest, the Participant shall forfeit all unvested Restricted Stock Units, unless the Termination is a result of the occurrence of a Qualifying Event or the Committee determines that the Participant's unvested Restricted Stock Units shall vest as of the date of such event.

(d) Death, Disability and Retirement. In the event a Qualifying Event occurs before the date or dates on which Restricted Stock Units vest, the expiration of the applicable restrictions (other than restrictions based on performance criteria) shall be accelerated and the Participant shall be entitled to receive payment of cash or Shares. In the case of Restricted Stock Units which are based on performance criteria, then as of the date on which such Qualifying Event occurs, the Participant shall be entitled to receive cash or a number of Shares that is determined by measuring the selected performance criteria from the Company's most recent publicly available quarterly results that are available as of the date the Qualifying Event occurs. All other Shares subject to such Restricted Stock Units shall be forfeited and returned to the Company as of the date on which such Qualifying Event occurs.

(e) Acceleration of Award. Notwithstanding anything to the contrary in this Plan, the Committee shall have the power to permit, in its sole discretion, an acceleration of the applicable restrictions or the applicable period of such restrictions with respect to any part or all of the Restricted Stock Units awarded to a Participant.

(f) Necessity of Award Agreement. Each grant of Restricted Stock Unit(s) shall be evidenced by an Award Agreement that shall specify the terms, conditions and restrictions regarding the Participant's right to receive cash or Share(s) in the future, and shall incorporate such other terms and conditions as the Committee, acting in its sole discretion, deems consistent with the terms of this Plan. The Committee shall have sole discretion to modify the terms and provisions of Restricted Stock Unit(s) in accordance with Section 12 of this Plan.

(g) Transferability of Restricted Stock Units. No Restricted Stock Unit granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated by the holder Participant, except upon the death of the holder Participant by will or by the laws of descent and distribution.

(h) Voting, Dividend & Other Rights. Holders of Restricted Stock Units shall not be entitled to vote or to receive dividends until they become owners of the Shares pursuant to their Restricted Stock Units, and, unless the applicable Award Agreement provides otherwise, the holder of a Restricted Stock Unit shall not be entitled to any dividend equivalents (as described in Section 7.1(e)).

7.5 Terms and Conditions of Stock Appreciation Rights.

(a) Grants of Stock Appreciation Rights. A Stock Appreciation Right shall entitle the Participant to receive upon exercise or payment the excess of the Fair Market Value of a specified number of Shares at the time of exercise, over a specified price. The specified price for a Stock Appreciation Right granted in connection with a previously or contemporaneously granted Option, shall not be less than the Exercise Price for Shares that are the subject of the Option. In the case of any other Stock Appreciation Right, the specified price shall not be less than one hundred percent (100%) of the Fair Market Value of the Shares at the time the Stock Appreciation Right was granted. If related to an Option, the exercise of a Stock Appreciation Right shall result in a pro rata surrender of the related Option to the extent the Stock Appreciation Right has been exercised.

(b) Stock Appreciation Right Term. Each Stock Appreciation Right granted under this Plan shall be exercisable in whole or in part at such time or times as set forth in the related Award Agreement, but no Award Agreement shall make a Stock Appreciation Right exercisable after the date that is the tenth (10th) anniversary of the date such Stock Appreciation Right is granted.

(c) Payment. Upon exercise of a Stock Appreciation Right, the Company shall pay to the Participant the appreciation with Shares (computed using the aggregate Fair Market Value of Shares on the date of payment or exercise) as specified in the Award Agreement or, if not specified, as the Committee determines. To the extent that a Stock Appreciation Right is paid with consideration other than Shares, it shall be treated as paid in Shares for purposes of Section 3.

(d) Vesting of Stock Appreciation Rights. The Committee shall establish the vesting schedule applicable to Stock Appreciation Rights and shall specify the times, vesting and performance goal requirements. Until the end of the period(s) of time specified in the vesting schedule and/or the satisfaction of any performance criteria, the Stock Appreciation Rights subject to such Award shall remain subject to forfeiture.

(e) Death, Disability and Retirement. In the event a Qualifying Event occurs before the date or dates on which Stock Appreciation Rights vest, the expiration of the applicable restrictions (other than restrictions based on performance criteria shall be accelerated and the Participant shall be entitled to receive the full value of the Stock Appreciation Right free of all such restrictions. In the case of Stock Appreciation Rights which are based on performance criteria, then as of the date on which such Qualifying Event occurs, the Participant shall be entitled to receive a value determined by measuring the selected performance criteria from the Company's most recent publicly available quarterly results that are available as of the date the Qualifying Event occurs. All other benefits under the Stock Appreciation Rights shall thereupon be forfeited and returned to the Company as of the date on which such Qualifying Event occurs.

(f) Transferability of Stock Appreciation Rights. No Stock Appreciation Right granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, except upon the death of the holder Participant by will or by the laws of descent and distribution.

(g) Special Provisions for Tandem Stock Appreciation Rights. A Stock Appreciation Right granted in connection with an Option may only be exercised to the extent that the related Option has not been exercised. A Stock Appreciation Right granted in connection with an ISO (1) will expire no later than the expiration of the underlying ISO, (2) may be for no more than the difference between the exercise price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Stock Appreciation Right is exercised, (3) may be transferable only when, and under the same conditions as, the underlying ISO is transferable, and (4) may be exercised only (i) when the underlying ISO could be exercised and (ii) when the Fair Market Value of the Shares subject to the ISO exceeds the exercise price of the ISO.

7.6 Stock Awards for Non-Employee Directors.

This Section 7.6 shall apply only to grants of Awards to Non-Employee Directors.

(a) Each Non-Employee Director may be granted, upon first becoming a Non-Employee Director of the Company, Non-Qualified Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights or such other stock-based Award allowable under the Plan in an amount as determined by the Board, provided that no Non-Employee Director may receive more than one such grant for serving as a Director of the Company and one or more Subsidiaries.

(b) Each Non-Employee Director shall be eligible to receive Non-Qualified Stock Options, Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights or such other stock-based Award allowable under the Plan in accordance with the Company's policy for non-employee director compensation as determined by the Compensation Committee of the Company from time to time.

(c) The price per share of Stock for grants under 7.6(a) or (b) above shall be not less than 100% of the Fair Market Value on the date of grant. Each grant to a Non-Employee Director shall vest as the Board may determine. To the extent not exercised, Awards shall be exercisable in whole or in part at any time after becoming exercisable but not later than the date the Award expires. Exercise of Options shall be pursuant to any method described in Section 7.2(e).

(d) The maximum amount of cash and equity compensation (calculated based on grant date fair value for financial reporting purposes) granted in any calendar year to any individual Non-Employee Director shall not exceed \$200,000. The Committee may make exceptions to this limit for individual Non-Employee Directors in extraordinary circumstances, as the Committee may determine in its discretion, provided that the Non-Employee receiving such additional compensation may not participate in the decision to award such compensation.

SECTION 8. SECURITIES REGULATION

8.1 Legality of Issuance. No Share shall be issued under this Plan unless and until the Committee has determined that all required actions have been taken to register such Share under the Securities Act of 1933 or the Company has determined that an exemption therefrom is available, any applicable listing requirement of any stock exchange on which the Share is listed has been satisfied, and any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable, has been satisfied.

8.2 Restrictions on Transfer; Representations; Legends. Regardless of whether the offering and sale of Shares under the Plan have been registered under the Securities Act of 1933 or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Shares (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act of 1933, the securities laws of any state, the United States or any other applicable foreign law. If the offering and/or sale of Shares under the Plan is not registered under the Securities Act of 1933 and the Company determines that the registration requirements of the Securities Act of 1933 apply but an exemption is available which requires an investment representation or other representation, the participant shall be required, as a condition to acquiring such Shares, to represent that such Shares are being acquired for investment, and not with a view to the sale or distribution thereof, except in compliance with the Securities Act of 1933, and to make such other representations as are deemed necessary or appropriate by the Company and its counsel. All Award Agreements shall contain a provision stating that any restrictions under any applicable securities laws will apply.

8.3 Registration of Shares. The Company may, and intends to, but is not obligated to, register or qualify the offering or sale of Shares under the Securities Act of 1933 or any other applicable state, federal or foreign law.

SECTION 9. LIFE OF PLAN

No Award shall be granted under this Plan on or after the earlier of:

(a) the tenth (10th) anniversary of the effective date of this Plan (as determined under Section 4 of this Plan), or

(b) the date on which all of the Shares reserved under Section 3 of this Plan have (as a result of the exercise of Awards granted under this Plan or lapse of all restrictions under a Restricted Stock Award or Restricted Stock Unit) been issued or are no longer available for use under this Plan.

This Plan shall continue in effect until all outstanding Awards have been exercised in full or are no longer exercisable and all Restricted Stock Awards or Restricted Stock Units have vested or been forfeited.

**SECTION 10.
ADJUSTMENT**

Notwithstanding anything in Section 12 to the contrary, (i) the number of Shares reserved under Section 3 of this Plan, (ii) the number of Shares subject to Awards granted under this Plan, and (iii) the Exercise Price of any Options and the specified exercise price of any Stock Appreciation Rights, shall be adjusted by the Committee in an equitable manner to reflect any change in the capitalization of the Company, including, but not limited to, such changes as stock dividends or stock splits. Furthermore, the Committee shall have the right to adjust (in a manner that satisfies the requirements of Code Section 424(a)) (x) the number of Shares reserved under Section 3, (y) the number of Shares subject to Awards granted under this Plan, and (z) the Exercise Price of any Options and the specified exercise price of any Stock Appreciation Rights in the event of any corporate transaction described in Code Section 424(a) that provides for the substitution or assumption of such Awards. If any adjustment under this Section creates a fractional Share or a right to acquire a fractional Share, such fractional Share shall be disregarded, and the number of Shares reserved under this Plan and the number subject to any Awards granted under this Plan shall be the next lower number of Shares, rounding all fractions downward. An adjustment made under this Section by the Committee shall be conclusive and binding on all affected persons and, further, shall not constitute an increase in the number of Shares reserved under Section 3 or an increase in any limitation imposed by the Plan.

**SECTION 11.
CHANGE IN CONTROL OF THE COMPANY**

11.1 General Rule for Change in Control. In the event that there occurs a Change in Control, if the Participant's employment with the Company and each of its Subsidiaries terminates in an event constituting a Qualifying Termination, the following provisions shall apply to the Participant's Awards upon such Qualifying Termination, unless otherwise provided by the Committee in the Award Agreement.

(i) In the case of an Award other than a performance based Award, all forfeiture conditions and other restrictions applicable to such Award shall lapse and such Award shall be fully payable as of the date of the Participant's Qualifying Termination without regard to vesting or other conditions, and any such Award carrying a right to exercise that was not previously vested and exercisable shall become fully vested and exercisable as of the date of the Participant's Qualifying Termination.

(ii) In the case of a performance based Award, the Award (or award opportunity relating thereto) for any Performance Period that was in effect at the time of the Participant's Qualifying Termination shall be deemed earned pro rata based on the portion of the Performance Period completed as of the date of the Participant's Qualifying Termination, calculated as to such Performance Period assuming that any performance goal or business criteria will have been achieved (for the entire Performance Period) at the target level, and any Award (or award opportunity relating thereto) for any Performance Period that was completed as of the date of the Participant's Qualifying Termination shall be deemed earned based on actual performance for such period. Notwithstanding the foregoing, any additional forfeiture conditions in the nature of a "clawback" applicable to the performance-based Award shall continue to apply to any payment under this Section 11(ii).

(iii) Notwithstanding the foregoing, in the case of any Section 409A Award, nothing in the foregoing shall cause an acceleration of payment or a further deferral of payment in violation of Code Section 409A or provide for payment upon a change in control that does not satisfy the definition of a change in control event for purposes of Code Section 409A and the payment terms applicable to such Award prior to the foregoing changes shall continue to apply (unless a change in payment timing is permitted under Code Section 409A) but the foregoing provisions shall apply for purposes of determining the Award holder's vested interest in the Award.

(iv) Awards subject to accelerated vesting and/or settlement under this Section 11 may be settled in cash, if and to the extent authorized by the Committee.

(v) If, in connection with the Change in Control, the Award would be cancelled, otherwise cease to be outstanding, or not assumed by any successor as the result of the Change in Control, the foregoing provisions shall apply as of the date of the Change in Control without regard to whether the holder terminates employment in connection with the Change in Control.

11.2 Corporate Events. Except as may otherwise be provided in an Award Agreement, in connection with (i) a merger or consolidation involving the Company in which the Company is not the surviving corporation; (ii) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Common Stock receive securities of another corporation and/or other property, including cash; (iii) a Change in Control; or (iv) the reorganization or liquidation of the Company (each, a “*Corporate Event*”), the Board or the Committee may, in its discretion, provide for any one or more of the following:

(i) that such Awards be assumed or substituted in connection with such Corporate Event, in which case, the Awards shall be subject to the adjustment set forth in Section 10 above, and to the extent such Awards vest based on the achievement of Performance Goals, such Performance Goals shall be appropriately adjusted to reflect the Corporate Event; and

(ii) that any or all vested and/or unvested Awards be cancelled as of the consummation of such Corporate Event, and that recipients holding vested Awards (including any Awards that would vest upon the Corporate Event but for such cancellation) so cancelled will receive a payment in respect of cancellation of their Awards based on the amount of the per-share consideration being paid for the Shares in connection with such Corporate Event, less, in the case of Options the applicable exercise price; *provided, however*, that holders of Options, SARS, and other Awards subject to exercise shall only be entitled to consideration in respect of cancellation of such Awards if the per-share consideration less the applicable exercise price is greater than zero (and to the extent the per-share consideration is less than or equal to the applicable exercise price, such Awards shall be cancelled for no consideration).

Payments to holders pursuant to clause (2) above shall be made in cash or, in the sole discretion of the Committee, in the form of such other consideration necessary for a recipient to receive property, cash, or securities (or combination thereof) as such recipient would have been entitled to receive upon the occurrence of the Corporate Event if the recipient had been, immediately prior to such transaction, the holder of the number of Shares covered by the Award at such time (less any applicable exercise price). In addition, in connection with any Corporate Event, prior to any payment or adjustment contemplated under this subsection (b), the Committee may require a recipient to (i) bear such recipient’s pro rata share of any post-closing indemnity obligations, and be subject to the same post-closing purchase price adjustments, escrow terms, offset rights, holdback terms, and similar conditions as the other holders of Stock; and (ii) deliver customary transfer documentation as reasonably determined by the Committee. Additionally, neither the Board nor the Committee shall make any adjustment pursuant to this Section 10 that would cause an Award that is otherwise exempt from Code Section 409A to become subject to Code Section 409A, or that would cause an Award that is subject to Code Section 409A to fail to satisfy the requirements of Code Section 409A. The determination of the Committee as to the foregoing adjustments shall be conclusive and binding on Participants under the Plan.

SECTION 12. AMENDMENT OR TERMINATION

This Plan may be amended by the Committee from time to time to the extent that the Committee deems necessary or appropriate; provided, however, no such amendment shall be made absent the approval of the Stockholders of the Company if such amendment (a) increases the number of Shares reserved under Section 3, except as set forth in Section 10, (b) extends the maximum life of the Plan under Section 9 or the maximum exercise period under Section 7, (c) decreases the minimum Exercise Price under Section 7, or (d) changes the designation of Eligible Recipients eligible for Awards under Section 6. Stockholder approval of other material amendments (such as an expansion of the types of awards available under the Plan, an extension of the term of the Plan, or a change to the method of determining the Exercise Price of Options issued under the Plan) may also be required pursuant to rules promulgated by an established stock exchange or a national market system. The Board also may suspend the granting of Awards under this Plan at any time and may terminate this Plan at any time. The Company shall have the right to modify, amend or cancel any Award after it has been granted if (I) the modification, amendment or cancellation does not diminish the rights or benefits of the Award recipient under the Award (provided, however, that a modification, amendment or cancellation that results solely in a change in the tax consequences with respect to an Award shall not be deemed as a diminishment of rights or benefits of such Award), (II) the Participant consents in writing to such modification, amendment or cancellation, (III) there is a dissolution or liquidation of the Company, (IV) this Plan and/or the Award Agreement expressly provides for such modification, amendment or cancellation, or (V) the Company would otherwise have the right to make such modification, amendment or cancellation by applicable law.

**SECTION 13.
MISCELLANEOUS**

13.1 Stockholder Rights. Except as provided in Section 7.3 with respect to Restricted Stock Awards, or in an Award Agreement, no Participant shall have any rights as a Stockholder of the Company as a result of the grant of an Award pending the actual delivery of Shares subject to such Award to such Participant.

13.2 No Guarantee of Continued Relationship. The grant of an Award to a Participant under this Plan shall not constitute a contract of employment or other relationship with the Company and shall not confer on a Participant any rights upon his or her Termination of employment or relationship with the Company in addition to those rights, if any, expressly set forth in the Award Agreement that evidences his or her Award.

13.3 Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company as a condition precedent for the grant or fulfillment of any Award, an amount in Shares or cash sufficient to satisfy federal, state and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan and/or any action taken by a Participant with respect to an Award. Whenever Shares are to be issued to a Participant upon exercise of an Option or Stock Appreciation Right, or satisfaction of conditions under a Restricted Stock Unit, the Company shall have the right to require the Participant to remit to the Company, as a condition of exercise of the Option or Stock Appreciation Right, or as a condition to the fulfillment of the Restricted Stock Unit, an amount in cash (or, unless the Award Agreement provides otherwise, in Shares) sufficient to satisfy federal, state and local withholding tax requirements at the time of exercise. However, notwithstanding the foregoing, to the extent that a Participant is an Insider, satisfaction of withholding requirements by having the Company withhold Shares may only be made to the extent that such withholding of Shares (1) has met the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act, or (2) is a subsequent transaction the terms of which were provided for in a transaction initially meeting the requirements of an exemption under Rule 16b-3 promulgated under the Exchange Act. Unless the Award Agreement provides otherwise, the withholding of shares to satisfy federal, state and local withholding tax requirements shall be a subsequent transaction approved by the original grant of an Award.

13.4 Notification of Disqualifying Dispositions of ISO Options. If a Participant sells or otherwise disposes of any of the Shares acquired pursuant to an Option that is an ISO on or before the later of (1) the date two (2) years after the date of grant of such Option, or (2) the date one (1) year after the exercise of such Option, then the Participant shall immediately notify the Company in writing of such sale or disposition and shall cooperate with the Company in providing sufficient information to the Company for the Company to properly report such sale or disposition to the Internal Revenue Service. The Participant acknowledges and agrees that he or she may be subject to federal, state and/or local tax withholding by the Company on the compensation income recognized by Participant from any such early disposition, and agrees that he or she shall include the compensation from such early disposition in his gross income for federal tax purposes. Participant also acknowledges that the Company may condition the exercise of any Option that is an ISO on the Participant's express written agreement with these provisions of this Plan.

13.5 Transfers & Restructurings. The transfer of a Participant's employment between or among the Company or a Subsidiary (including the merger of a Subsidiary into the Company) shall not be treated as a Termination of his or her employment under this Plan. Likewise, the continuation of employment by a Participant with a corporation which is a Subsidiary shall be deemed to be a Termination of employment when such corporation ceases to be a Subsidiary.

13.6 Governing Law/Consent to Jurisdiction. This Plan shall be construed under the laws of the State of Nevada without regard to principles of conflicts of law.

13.7 Escrow of Shares. To facilitate the Company's rights and obligations under this Plan, the Company reserves the right to appoint an escrow agent, who shall hold the Shares owned by a Participant pursuant to this Plan.

13.8 Code Section 409A. Options, Stock Appreciation Rights, and Restricted Stock Awards granted under the Plan are intended to be exempt from Code Section 409A, and Restricted Stock Unit Awards and all other Awards awarded under the Plan are intended to be exempt from or comply with Code Section 409A, and the Plan, Award Agreements and the terms of Awards shall be administered and interpreted consistent with such intention. In the event any provisions of the Plan or any Award Agreement are determined by the Committee potentially to violate Code Section 409A, such provision shall be amended, as necessary, to be exempt from or comply with Section 409A; and until adoption of any such amendment, the provisions shall be construed and interpreted, to the extent possible, to be exempt from or comply with Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under the Plan are exempt from or comply with Section 409A, and in no event will the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by a Participant on account of non-compliance with Section 409A. If and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant pursuant to the Plan in connection with his or her employment termination constitutes “nonqualified deferred compensation” within the meaning of Section 409A and (ii) the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that he or she is bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of “separation from service” (as determined under Section 409A) (the “*New Payment Date*”), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

13.9 Clawback. In accepting an Award under the Plan, the Participant agrees to be bound by any clawback policy that the Company has in effect or may adopt in the future.

SECTION 14. PERFORMANCE CRITERIA

14.1 Performance Goal Business Criteria. The attainment of and degree of payout and/or vesting with respect to Awards to Participants pursuant to this Plan, and the performance measure(s) to be used by the Committee for purposes of such grants shall be determined by the Committee in its discretion. These performance measure may include but are not limited to the following: (a) earnings per share; (b) net income (before or after taxes); (c) return measures (including, but not limited to, return on assets, equity or sales); (d) cash flow return on investments which equals net cash flows divided by owner’s equity; (e) earnings before or after taxes, depreciation and/or amortization; (f) gross revenues; (g) operating income (before or after taxes); (h) total Stockholder return; (i) corporate performance indicators (indices based on the level of certain services provided to customers); (j) cash generation, profit and/or revenue targets; (k) growth measures, including revenue growth, as compared with a peer group or other benchmark; and/or (l) share price (including, but not limited to, growth measures and total stockholder return. In setting performance goals using these performance measures, the Committee may exclude the effect of changes in accounting standards and non-recurring unusual events specified by the Committee, such as write offs, capital gains and losses and acquisitions and dispositions of businesses.

14.2 Discretion in Formulation of Performance Goals. The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals.

14.3 Performance Periods. The Committee shall have the discretion to determine the period during which any performance goal must be attained with respect to an Award. Such period may be of any length, and must be established prior to the start of such period or within the first ninety (90) days of such period (provided that the performance criteria are not in any event set after 25% or more of such period has elapsed).

14.4 Modifications to Performance Goal Criteria. The Committee shall have sole discretion to adjust the cash or number of shares payable pursuant to such performance goals, and the Committee may, at any time, waive the achievement of the applicable performance goals, including in the case of the death or Disability of the Participant or a Change in Control of the Company.

14.4 Achievement of Performance Goals. The Committee shall have the discretion to determine whether or not a certain performance goal has been attained and the Committee may delegate this authority to management in those cases where it elects to do so.

**SECTION 15.
OTHER NON US PROVISIONS**

15.1 The Committee shall have the authority to require that any Award Agreement relating to an Award in a jurisdiction outside of the United States contain such terms as are required by local law in order to constitute a valid grant under the laws of such jurisdiction. Such authority shall be notwithstanding the fact that the requirements of the local jurisdiction may be different from or more restrictive than the terms set forth in this Plan. No purchase or delivery of Shares pursuant to an Award shall occur until applicable restrictions imposed pursuant to this Plan or the applicable Award have terminated.

To record the adoption of this Plan, the Board has caused its authorized officer to execute the same.

Odyssey Marine Exploration, Inc.

By: /s/ Jay Nudi

Title: Chief Financial Officer

Date: March 26, 2019

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 Oceanicas, S. de R.L. De C.V. (3)	Mexico
Aldama Mining Company, S. De R.L. De C.V.	Mexico
Telemachus Minerals, S. De R.L. De C.V.	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 [53.89%] interest in this company.
- (3) The Registrant holds an indirect [53.88%] interest in this company.



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

Members:
American Institute of Certified
Public Accountants
•
Florida Institute of Certified
Public Accountants
•
Registered with Public
Company Accounting
Oversight Board

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3, SEC File No. 333-227666, and the Registration Statements on Form S-8, SEC File Nos. 333-213438, 333-205328, 333-168611, 333-50325, 333-134631 and 333-166130 of Odyssey Marine Exploration, Inc. and subsidiaries of our report dated March 11, 2019, on the financial statements of Odyssey Marine Exploration, Inc. and subsidiaries, in this Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

April 1, 2019

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

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

I, Jay A. Nudi, 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: April 1, 2019

/s/ Jay A. Nudi

Jay A. Nudi

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, 2018, 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/ Mark D. Gordon

Mark D. Gordon
President and Chief Executive Officer

April 1, 2019

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, 2018, 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/ Jay A. Nudi
Jay A. Nudi

Chief Financial Officer

April 1, 2019

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.