

ODYSSEY MARINE EXPLORATION INC  
Form 10-K  
March 17, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark one)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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

**Commission File Number 001-31895**

**ODYSSEY MARINE EXPLORATION, INC.**

**(Exact name of registrant as specified in its charter)**

**Nevada**  
**(State or other jurisdiction of**  
**incorporation or organization)**

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

**5215 W. Laurel Street, Tampa, Florida 33607**

**(Address of principal executive offices)**

**(813) 876-1776**

**(Registrant's telephone number including area code)**

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

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

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

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

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

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

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

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

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

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

Large accelerated filer  Accelerated filer

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

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

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

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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

### **PART I**

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

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

## **ITEM 1. BUSINESS**

### **Overview**

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

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

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

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

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

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### **Shipwreck Research Criteria**

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

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

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

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

*Documented Cargo Value* The research must indicate that the shipwreck was likely carrying enough intrinsically valuable cargo to cover the high costs associated with deep-ocean exploration and advanced archaeological recovery. Commercially viable cargo typically includes gold, silver, jewels, or other high-value items. Odyssey sometimes engages in the preliminary exploration of a shipwreck for purely scientific purposes, even if the value of the wreck is largely cultural, historical or educational.

*Documented Navigation Information* The research must provide sufficient navigational information documenting the sinking location (or a particular area with potential for producing high-value targets) in order to minimize the search area, as well as the cost and time involved, and to provide a reasonable expectation that the shipwreck can be found.

*Path to Ownership* The research must resolve or reasonably predict prior to recovery any issues relating to ownership of the shipwreck and its cargo. Questions pertaining to potential claimants, the location of the wreck inside or outside territorial waters, and the nature of the ship's commercial or military mission are some of the important considerations that need to be understood in advance.

### **Search Operations**

Shipwreck or geological deposit search operations are conducted from a research vessel fitted with survey equipment and often with an ROV. Odyssey's ships are capable of conducting deep-sea search operations 24 hours a day, seven days a week and have been deployed throughout the world - in the English Channel, the Mediterranean Sea, and the Atlantic and Pacific Oceans. A search typically begins with a side-scan sonar survey of the target area, which is sometimes coupled with a magnetometer survey, multi-beam bathymetric survey or other acoustic or geophysical survey technologies. The most interesting anomalies on the ocean floor are then inspected visually with an ROV, which sends real-time video images to monitors on the survey vessel for observation by the scientific and technical teams. These images are also downloaded and saved for additional evaluation onshore. Sometimes, it is immediately obvious whether the inspected site is of interest or not - as in the case of geology, modern debris, or when identifiable

artifacts are readily apparent on the site. In other instances, it may take additional research and return visits to a site to arrive at probable or positive identity and to determine the next step forward. Even when a shipwreck's identity is confirmed or an area of geological interest is identified, a detailed reconnaissance inspection or pre-disturbance survey may be required prior to commencing any recovery or resource assessment operations.

### **Archaeological Excavation and Recovery**

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



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

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

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

## **Conservation and Documentation**

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

## **Sharing the Story**

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

*Exhibits* All of the culturally and archaeologically significant artifacts recovered from our shipwreck projects remain in Odyssey's permanent collection and are available for public exhibits and further study by

researchers and academia. Odyssey's *SHIPWRECK! Pirates & Treasure*, an interactive multi-media exhibit, features over 500 artifacts recovered from our deep-ocean shipwreck expeditions. Visitors also are immersed in the technology and process Odyssey uses to find and recover shipwreck treasures. For most of 2013, the exhibit was featured at the Discovery Times Square exhibition center in New York City. In 2014, the exhibit will travel to different museums in Canada and the United States.

*Television Programming* Discovery Channel's 3-episode series *SILVER RUSH* premiered in the US in February 2013. A United Kingdom version of the series aired on Channel 5 in the UK in 2013. This programming followed Odyssey's shipwreck operations in 2012 on the *SS Gairsoppa*, *SS Mantola* and *HMS Victory*. Another Discovery Channel 12-episode series, *TREASURE QUEST* premiered worldwide in 2009 and is available for unlimited rebroadcasts worldwide at Discovery Channel's discretion. *TREASURE QUEST* included the discovery of *HMS Victory* and the *Black Swan*. Both series showcase the Odyssey team as we searched for and discovered shipwrecks with unique stories to tell. The *SS Republic* project was featured in two National Geographic shows, a one-hour special for PBS, *Civil War Gold* and as an episode of National Geographic *Ultimate Explorer*.

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

## **Sales and Marketing**

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

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

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

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

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

## **Deep-Ocean Mineral Exploration**

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

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

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

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

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

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

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

## **Operational Projects and Status**

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

### ***SS Central America Project***

We have been awarded an exclusive contract to conduct an archaeological excavation and recover the remaining valuable cargo from the *SS Central America* shipwreck located approximately 160 miles off the coast of South

Carolina. The ship, which was immortalized in the best-selling book, *Ship of Gold in the Deep Blue Sea*, sank in 1857 with one of the largest documented cargoes of gold ever lost at sea.

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

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

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

### **Atlas Search Project**

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

### **HMS *Victory* Project**

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

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

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

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

### ***Gairsoppa* Project**

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

The SS *Gairsoppa* was a 412-foot steel-hulled British cargo ship that was torpedoed by a German U-boat in February 1941 while enlisted in the service of the UKG Ministry of War Transport. The Ministry of War Transport paid a War Risk Insurance Claim for £325,514 (\$542,000) (in 1941 value) for 2,817 bars of silver that were reported to be on board the *Gairsoppa* when she sank. The UKG only paid this insurance on privately owned cargo. Any cargo owned

by the UKG would not have been insured through the War Risk Insurance Office.

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

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



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

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

### ***Mantola* Project**

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

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

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

### **Commodity Wreck Program**

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

Planning is underway to assemble the necessary ships and equipment for the exploration, assessment and recovery of these cargoes. Odyssey recently conducted tests of a new 6,000 meter inspection class ROV, a new 3,000 meter depth capable 7160 hull mounted multi-beam, and a 12khz 6,000 meter echo-sounder which can be utilized on these

commodity projects. In addition, an advanced custom 6,000 meter depth capability search system that utilizes dual 7125 multi-beam systems has been ordered with delivery expected in Q2 2014 for use on commodity shipwreck search and inspection projects.

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

#### **Robert Fraser Projects (RFP)**

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

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

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

## **Subsea Mineral Mining Exploration Projects**

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

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

In February 2013, we disclosed Odyssey's ownership interest, through Odyssey Marine Enterprises, Ltd., a wholly owned Bahamian company ( Enterprises ), in Oceanica Resources, S. de R.L., a Panamanian company ( Oceanica ). Oceanica's subsidiary is in the business of mineral exploration and controls exclusive permits in an area which is believed to feature a valuable mineral resource based on extensive exploratory activities undertaken by Odyssey. Preliminary resource assessments suggest the concessions, which have been granted for a 50-year period to the wholly

owned subsidiary of Oceanica, may have significant economic and strategic value. Odyssey initially held 77.6 million of Oceanica's 100.0 million outstanding shares. Subsequently, Enterprises sold and transferred to Mako Resources, LLC ( Mako ) 15.0 million shares for a purchase price of \$1.00 per share, or \$15 million, and granted Mako options to purchase an additional 15.0 million shares at the purchase price of \$2.50 per share before December 31, 2013.

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

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

**Other Syndication Projects**

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

**HMS *Sussex* Project**

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

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

Range	British Government	Odyssey
\$0 - \$45 million	20%	80%
\$45 million to \$500 million	50%	50%
Above \$500 million	60%	40%

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

the shipwreck is not HMS *Sussex*;

we are in serious breach of our obligations under our agreement with HMG.

***Admiralty Legal Proceedings***

***Black Swan Arrest***

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

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

### **Unidentified Shipwreck (Bray Case)**

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

### **Legal and Political Issues**

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

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

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

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

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

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

## **Competition**

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



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

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

## **Cost of Environmental Compliance**

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

## **Executive Officers of the Registrant**

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

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

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

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

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

Laura L. Barton (age 51) was appointed as Executive Vice President and Director of Communications in June 2012 and formerly served at Vice President and Director of Corporate Communications from November 2007 to June 2012. Ms. Barton previously served as Director of Corporate Communications and Marketing for Odyssey since July 2003. Ms. Barton was previously President of LLB Communications, a marketing and communications consulting company

whose customers included a variety of television networks, stations and distributors and the Company (1994-2003).

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

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### **Employees**

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

### **Internet Access**

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

## **ITEM 1A. RISK FACTORS**

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

### ***Our business involves a high degree of risk.***

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

### ***The research and data we use may not be reliable.***

The success of a shipwreck project is dependent to a substantial degree upon the research and data we have obtained. By its very nature, research and data regarding shipwrecks can be imprecise, incomplete, outdated, and unreliable. It is

often composed of or affected by numerous assumptions, rumors, legends, historical and scientific inaccuracies and misinterpretations which have become a part of such research and data over time. For mineral exploration, data is collected based on a sampling technique and available data may not be representative of the entire ore body or tenement area.

***Operations may be affected by natural hazards.***

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

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

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

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

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

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

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

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

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

***Objects we recover could be stolen from us.***

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

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

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

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

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

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

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

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

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

***We may continue to experience significant losses from operations.***

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

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

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

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

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

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

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

amortization date. Conversion of the notes at conversion prices that are lower than the market price at the time of conversion and the sale of the shares issued upon conversion could have an adverse effect upon the market price of our common stock.

***Investments in subsea mineral exploration companies may prove unsuccessful.***

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



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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

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

**ITEM 3. LEGAL PROCEEDINGS**

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

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

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

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**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS**  
**A**