ODYSSEY MARINE EXPLORATION INC
Form 10-Q
August 01, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2016

or

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission File Number 001-31895

ODYSSEY MARINE EXPLORATION, INC.

(Exact name of registrant as specified in its charter)

Nevada	**84-1018684**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5215 W. Laurel Street, Tampa, Florida 33607

(Address of principal executive offices) (Zip code)

(813) 876-1776

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check 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 x 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 shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 definition 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: x

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

The number of outstanding shares of the registrant s Common Stock, $.0001 par value, as of July 20, 2016 was 7,544,345.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,832,166	$ 2,241,317
Accounts receivable and other, net	1,599,920	801,575
Other current assets	631,416	502,698
Total current assets	4,063,502	3,545,590
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	19,457,589	22,460,256
Accumulated depreciation	(17,244,138)	(19,633,420)
Total property and equipment	2,213,451	2,826,836
NON-CURRENT ASSETS		
Other non-current assets	532,590	540,590
Total non-current assets	532,590	540,590
Total assets	$ 6,809,543	$ 6,913,016
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 1,288,421	$ 1,567,620
Accrued expenses and other	5,778,233	4,265,456
Deferred income		383,148
Derivative liabilities	3,891	3,402,416
Loans payable	17,731,332	15,058,845
Total current liabilities	24,801,877	24,677,485
LONG-TERM LIABILITIES		
Loans payable	4,228,944	3,140,787
Deferred income and revenue participation rights	4,643,750	4,643,750
Total long-term liabilities	8,872,694	7,784,537

Total liabilities	33,674,571	32,462,022
Commitments and contingencies (NOTE G)		
STOCKHOLDERS EQUITY/(DEFICIT)		
Preferred stock - $.0001 par value; 24,984,166 shares authorized; none outstanding		
Preferred stock series D convertible - $.0001 par value; 0 and 20,200 shares authorized, respectively, and 0 issued and outstanding for each period end		
Common stock - $.0001 par value; 75,000,000 shares authorized; 7,544,345 issued and outstanding at June 30, 2016 and 7,541,111 issued and outstanding at December 31, 2015	754	754
Additional paid-in capital	206,274,157	204,438,148
Accumulated deficit	(222,408,549)	(220,634,415)
Total stockholders equity/(deficit) before non-controlling interest	(16,133,638)	(16,195,513)
Non-controlling interest	(10,731,390)	(9,353,493)
Total stockholders equity/(deficit)	(26,865,028)	(25,549,006)
Total liabilities and stockholders equity/(deficit)	$ 6,809,543	$ 6,913,016

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

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
REVENUE				
Recovered cargo sales and other	$	$ 226,733	$ 4,667	$ 321,174
Exhibit		12,500		33,352
Expedition	1,217,318	204,310	1,795,128	204,310
Total revenue	1,217,318	443,543	1,799,795	558,836
OPERATING EXPENSES				
Cost of sales recovered cargo and other		164,589		377,465
Marketing, general and administrative	1,937,523	3,354,227	4,317,839	6,370,213
Operations and research	1,293,803	2,889,590	3,493,794	6,251,056
Common stock issued for subsidiary stock option settlement				2,520,000
Total operating expenses	3,231,326	6,408,406	7,811,633	15,518,734
INCOME (LOSS) FROM OPERATIONS	(2,014,008)	(5,964,863)	(6,011,838)	(14,959,898)
OTHER INCOME (EXPENSE)				
Interest income		36		95
Interest expense	(596,287)	(1,019,443)	(930,347)	(1,681,725)
Change in derivative liabilities fair value	61,051	211,890	3,398,525	(251,013)
Other	9,652	7,494	391,630	(10,874)
Total other income (expense)	(525,584)	(800,023)	2,859,808	(1,943,517)
(LOSS) BEFORE INCOME TAXES	(2,539,592)	(6,764,886)	(3,152,030)	(16,903,415)
Income tax benefit (provision)				
NET (LOSS) BEFORE NON-CONTROLLING INTEREST	(2,539,592)	(6,764,886)	(3,152,030)	(16,903,415)
Non-controlling interest	680,814	638,668	1,377,897	1,062,726
NET (LOSS)	$ (1,858,778)	$ (6,126,218)	$ (1,774,133)	$ (15,840,689)
NET (LOSS) PER SHARE				
Basic and diluted (See NOTE B)	$ (0.25)	$ (0.84)	$ (0.24)	$ (2.16)
Weighted average number of common shares outstanding				
Basic	7,544,345	7,469,455	7,542,728	7,340,272

Diluted	7,544,345	7,469,455	7,542,728	7,340,272

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

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - Unaudited

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss before non-controlling interest	$ (3,152,030)	$ (16,903,415)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Depreciation and amortization	598,197	751,126
Director fees settled with equity instruments	18,415	
Loss on sale of building and land		29,404
Gain on sale of equipment	(125,991)	
Financed lender fees	50,000	
Change in derivatives liabilities fair value	(3,398,525)	251,013
Note payable interest accretion	87,525	747,126
Inventory markdown		151,922
Common stock issued for subsidiary stock option settlement		2,520,000
Share-based compensation	692,501	1,393,379
Deferred revenue	(383,148)	
(Increase) decrease in:		
Accounts receivable	(798,345)	(94,628)
Inventory		464,388
Other assets	(120,717)	(90,158)
Increase (decrease) in:		
Accounts payable	(279,199)	(2,568,382)
Accrued expenses and other	1,512,776	1,168,947
NET CASH (USED) BY OPERATING ACTIVITIES	(5,298,541)	(12,179,278)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	200,000	850,000
Purchase of property and equipment	(58,821)	(42,828)
Acquisition of subsidiary		(2,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	141,179	805,172
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	4,825,000	14,750,001
Restricted cash held as collateral on loans payable		287,178
Repayment of mortgage and loans payable	(76,789)	(1,182,281)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,748,211	13,854,898
NET (DECREASE) INCREASE IN CASH	(409,151)	2,480,792
CASH AT BEGINNING OF PERIOD	2,241,317	3,143,550

CASH AT END OF PERIOD	$ 1,832,166	$ 5,624,342
SUPPLEMENTARY INFORMATION:		
Interest paid	$ 718,722	$ 724,389
Income taxes paid	$	$

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 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Odyssey Marine Exploration, Inc. and subsidiaries (the Company, Odyssey, us, we or our) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and the instructions to Form 10-Q and, therefore, do not include all information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015.

In the opinion of management, these financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position as of June 30, 2016 and the results of operations and cash flows for the interim periods presented. Operating results for the six-month period ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year.

See NOTE I regarding our 1-for-12 reverse stock split. Share related amounts have been retroactively adjusted in this report to reflect this reverse stock split.

NOTE B - 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 is responsible for their integrity and objectivity, and have been prepared them in accordance with our customary accounting practices.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries, Odyssey Marine Services, Inc., OVH, Inc., Odyssey Retriever, Inc., Odyssey Marine Entertainment, Inc., Odyssey Marine Enterprises, Ltd., Marine Exploration Holdings, LLC, Odyssey Marine Management, Ltd., Oceanica Marine Operations, S.R.L., Aldama Mining Company, S. De R.L. De C.V., Telemachus Minerals, S. De R.L. De C.V. and majority interest in Oceanica Resources, S.R.L. and Exploraciones Oceanicas, S. De R.L. De C.V. Equity investments in which we exercise significant influence but do not control and of which we are not the primary beneficiary are accounted for using the equity method. All significant inter-company and intra-company transactions and balances have been eliminated. The results of operations attributable to the non-controlling interest are presented within equity and net income, and are shown separately from the Company s equity and net income attributable to the Company. Some of the existing inter-company balances, which are eliminated upon consolidation, include features allowing the liability to be converted into equity, which if exercised, could increase the direct or indirect interest of the Company in the non-wholly owned subsidiaries.

Use of Estimates

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

Revenue Recognition and Accounts Receivable

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

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

Cash and Cash Equivalents

Cash, 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.

Inventory

Prior to December 10, 2015, Odyssey held two main types of inventory: (i) artifacts and coins held for sale and exhibits, and (ii) merchandise inventory held for sale. On December 10, 2015, we sold all of the existing inventory items to Monaco Financial, LLC and its affiliates. See NOTE S in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2015 for further information.

Our inventory principally consisted of cargo recovered from the SS *Republic* shipwreck, other artifacts, general branded merchandise and related packaging material. Inventoried costs of recovered cargo included the costs of recovery, conservation and administrative costs to obtain legal title to the cargo. We continually monitored the recorded aggregate costs of the recovered cargo in inventory to ensure these costs did not exceed the net realizable value. Historical sales, publications or available public market data were used to assess market value.

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

Costs associated with the above noted items were included in our costs of goods. Vessel costs associated with expedition revenue as well as exhibit costs were not included in cost of goods sold. Vessel costs include, but are not limited to, charter costs, fuel, crew and port fees. Vessel and exhibit costs are included in Operations and research in the Consolidated Statements of Operations.

Long-Lived Assets

Our policy is to recognize impairment losses relating to long-lived assets in accordance with the ASC topic for Property, Plant and Equipment. Decisions on asset impairments 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. During May 2016, we sold our vessel, *Odyssey Explorer*, for $200,000 cash and a smaller vessel as in-kind. The vessel received as in-kind consideration has been valued at $350,000 based on management s best estimate of the evaluation at this time considering its physical condition and the prevailing market. We expect to receive an appraisal from our insurance broker in the near future. If further relevant information should arise in the future, the estimate will be revised if needed.

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. Major overhaul items (such as engines or generators) that enhance or extend the useful life of vessel related assets qualify to be capitalized and depreciated over the useful life or remaining life of that asset, whichever is shorter. Certain major repair items required by industry standards to ensure a vessel s seaworthiness also qualify to be capitalized and depreciated over the period of time until the next scheduled planned major maintenance for that item. All other repairs and maintenance are accounted for under the direct-expensing method and are expensed when incurred.

Earnings Per Share

See NOTE I regarding our 1-for-12 reverse stock split. Share related amounts have been retroactively adjusted in this report to reflect this reverse stock-split.

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 converted. 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. We do not have any 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 June 30, 2016 and 2015, the weighted average common shares outstanding year-to-date were 7,542,728 and 7,340,272, respectively. For the periods in which net losses occurred, all potential common shares were excluded from diluted EPS because the effect of including such shares would be anti-dilutive.

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Average market price during the period	$ 3.08	$ 7.20	$ 3.35	$ 8.28
In the money potential common shares from options excluded	4,089		4,717	
In the money potential common shares from warrants excluded				

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Out of the money options and warrants excluded:				
Stock options with an exercise price of $12.48 per share	137,666	137,666	137,666	137,666
Stock options with an exercise price of $12.84 per share	4,167	4,167	4,167	4,167
Stock options with an exercise price of $20.88 per share		4,313		4,313
Stock options with an exercise price of $26.40 per share	75,794	79,847	75,794	79,847
Stock options with an exercise price of $32.76 per share	53,707	53,706	53,707	53,706
Stock options with an exercise price of $32.88 per share		52,820		52,820
Stock options with an exercise price of $34.68 per share	74,265	80,893	74,265	80,893
Stock options with an exercise price of $39.00 per share	8,333	8,333	8,333	8,333
Stock options with an exercise price of $40.80 per share		8,333		8,333
Stock options with an exercise price of $41.16 per share	833	3,333	833	3,333
Stock options with an exercise price of $42.00 per share	8,333	8,333	8,333	8,333
Stock options with an exercise price of $46.80 per share	1,667	1,667	1,667	1,667
Warrants with an exercise price of $43.20 per share	130,208	130,208	130,208	130,208
Total anti-dilutive warrants and options excluded from EPS	494,973	573,619	494,973	573,619

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

	Three Months Ended	Six Months Ended

	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Potential common shares from unvested restricted stock awards excluded from EPS	88,096	129,570	88,096	129,570

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

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income (loss)	$ (1,858,778)	$ (6,126,218)	$ (1,774,133)	$ (15,840,689)
Numerator, basic and diluted net income (loss) available to stockholders	$ (1,858,778)	$ (6,126,218)	$ (1,774,133)	$ (15,840,689)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Denominator:				
Shares used in computation basic:				
Weighted average common shares outstanding	7,544,345	7,469,455	7,542,728	7,340,272
Common shares outstanding for basic	7,544,345	7,469,455	7,542,728	7,340,272
Shares used in computation diluted:				
Common shares outstanding for basic	7,544,345	7,469,455	7,542,728	7,340,272
Shares used in computing diluted net income per share	7,544,345	7,469,455	7,542,728	7,340,272
Net (loss) per share basic	$ (0.25)	$ (0.84)	$ (0.24)	$ (2.16)
Net (loss) per share diluted	$ (0.25)	$ (0.84)	$ (0.24)	$ (2.16)

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 I).

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. See NOTE K for additional information. We generally do not use derivative financial instruments to hedge exposures to cash-flow, market or foreign-currency risks. However, we have entered into certain other financial instruments and contracts with features that are either (i) not afforded equity classification, (ii) embody risks not clearly and closely related to host contracts, or (iii) may be net-cash settled by the counterparty. As required by ASC 815 *Derivatives and Hedging*, these instruments are required to be carried as derivative liabilities, at fair value, in our financial statements with changes in fair value reflected in our income.

Fair Value Hierarchy

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

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

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

Level 3. Unobservable inputs to the valuation methodology 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 be 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.

Subsequent Events

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

NOTE C ACCOUNTS RECEIVABLE

Our accounts receivable consist of the following:

	June 30, 2016	December 31, 2015
Trade	$ 3,365,977	$ 2,371,304
Related party	501,228	629,400
Other	48,512	116,668
Reserve allowance	(2,315,797)	(2,315,797)
Total accounts receivable, net	$ 1,599,920	$ 801,575

The trade receivable balance at June 30, 2016 and December 31, 2015 consists primarily of a trade receivable from Neptune Minerals, Inc., for which a reserve allowance for the full amount of $2,315,797 has been made for both reported period ends, as well as $1,018,732 from one other customer. In December 2015, as part of the acquisition agreement with Monaco Financial, LLC, (Monaco) a related party, we sold 50% of the Neptune Minerals, Inc. receivable to Monaco. The remaining receivable balance from Neptune Minerals, Inc. on our balance sheet is owned by us. Monaco owes us $501,228 and $629,400 for the periods ended June 30, 2016 and December 31, 2015, respectively, for coin sales and other items that were not part of the December 10, 2015 acquisition agreement. See

NOTE S in our Form 10-K file with the Securities and Exchange Commission for the year ended December 31, 2015 for further information.

NOTE D RELATED PARTY TRANSACTIONS

In December 2015, we entered into an asset acquisition agreement with Monaco Financial, LLC (Monaco). See NOTE S in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2015 for further information. We had accounts receivable with Monaco and related affiliates at June 30, 2016 and December 31, 2015 of $501,228 and $629,400, respectively. We had general operating payables with Monaco at June 31, 2016 and December 31, 2015 of $135,716 and $47,858, respectively. See NOTE I for further debt commitments between the entities. Based on the economic substance of these business transactions, we consider Monaco Financial, LLC to be an affiliated company, thus a related party. We do not own any financial interest in Monaco.

NOTE E INVESTMENTS IN UNCONSOLIDATED ENTITIES

Neptune Minerals, Inc. (NMI)

Our current investment position 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 June 30, 2016, our estimated share of unrecognized NMI equity-method losses is approximately $20.7 million. We have not recognized the accumulated $20.7 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 believe it is appropriate to allocate this loss carryforward of $20.7 million to any incremental NMI investment that may be recognized on our balance sheet in excess of zero. The aforementioned loss carryforward is based on NMI s last unaudited financial statements as of December 31, 2014. Since then, financial statements of NMI have not been made available to us. We do reasonably believe NMI s losses since then are minimal. We do not have any financial obligations to NMI, and we are not committed to provide financial support.

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. At June 30, 2016, the net carrying value of our investment in NMI was zero in our consolidated financial statements.

Chatham Rock Phosphate, Ltd.

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. The shares currently represent less than 3% of the outstanding equity of CRP. With CRP being 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. The net carrying value of this investment in CRP is zero in our consolidated financial statements.

NOTE F - INCOME TAXES

During the six-month period ended June 30, 2016, we generated a federal net operating loss (NOL) carryforward of $0.9 million and generated $2.8 million of foreign NOL carryforwards. As of June 30, 2016, we had consolidated income tax NOL carryforwards for federal tax purposes of approximately $145 million and net operating loss carryforwards for foreign income tax purposes of approximately $22 million. The federal NOL carryforwards from 2005 forward will expire in various years beginning in 2025 and ending through the year 2035.

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. We have recorded a net deferred tax asset of $0 at June 30, 2016. As required by the *Accounting for Income Taxes* topic in the ASC, we have concluded it is more likely than not that those assets would not be realizable without the recovery and rights of ownership or salvage rights of high value shipwrecks or substantial profits from our mining operations and thus a valuation allowance has been recorded as of June 30, 2016. There was no U.S. income tax expense for the six months ended June 30, 2016 due to the generation of net operating losses.

The increase in the valuation allowance as of June 30, 2016 is due to the generation of approximately $1.8 million in net operating loss year-to-date.

The change in the valuation allowance is as follows:

June 30, 2016	$ 65,093,249
December 31, 2015	64,553,394
Change in valuation allowance	$ 539,855

Our estimated annual effective tax rate as of June 30, 2016 is 26.54%, while our June 30, 2016 effective tax rate is 0.0% because of the full valuation allowance.

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 2012.

NOTE G COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

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. The EIA has not been approved as of the date of this report. This grant of new shares was also approved by the Administrators of Oceanica Resources, S.R.L.

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 remainder of 2016 or the following twelve months is dependent upon our success in chartering our marine equipment and services to third parties, monetizing our interests in mineral exploration entities, collecting on amounts owed to us, generating income from other project or asset based financing, and completing the MINOSA/Penelope equity financing transaction approved by our stockholders on June 9, 2015. Our 2016 business plan requires us to generate new cash inflows during 2016 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the chartering of our equipment and services, the monetization of our receivables and equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned opportunities for raising cash may not be realized to the extent needed to meet our desired projected business plan requirements, which may require us to follow a contingency business plan that is based on curtailed expenses and requires less cash inflows. We may not be able to maintain compliance with NASDAQ s continued listing requirements, which could lead to a de-listing from NASDAQ and move to a different quotation service. This may have a negative impact on our ability to raise funds. On April 11, 2016 our market capitalization value fell below $35.0 million, the required minimum for continued listing of our stock on NASDAQ. Maintaining a market capitalization of at least $35.0 million for a minimum of ten consecutive business days before November 21, 2016 will permit us to remain listed. Management is working on multiple initiatives that could have the effect of curing this deficiency, however, we cannot provide any assurance the deficiency will be resolved. Initiatives include generating new business results with high positive impact and ongoing efforts to support the environmental application approval process for the Don Diego project, with the goal of approval in the second half of 2016. 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 Penelope agreed to invest up to $101 million over three years in convertible preferred stock of Odyssey. This equity financing is subject to the satisfaction of certain conditions, including the approval of our stockholders, which occurred on June 9, 2015. MINOSA and Penelope are currently under no obligation to make the preferred share equity investments. (See Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations General Discussion 2015 Financings.) Our consolidated non-restricted cash balance at June 30, 2016 was $1.8 million, which is insufficient to support operations through the end of 2016. We have a working capital deficit at June 30, 2016 of $20.7 million. We sold a substantial part of our assets to Monaco and its affiliates on December 10, 2015 and we have pledged the majority of our remaining assets to MINOSA and its affiliates, and to Monaco, leaving us with few opportunities to raise additional funds based on our balance sheet. The total consolidated book value of our assets was $6.8 million at June 30, 2016 and the fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangements, 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 in Mexico s exclusive economic zone in the Pacific ocean. The environmental permit application filed in June 2015 was denied on April 8, 2016. We continue to pursue approval of the environmental permit for the dredging and extraction of the phosphate sands off the western coast of Mexico, but the April 2016 decision has delayed our expected cash inflows from this project. Therefore, the factors noted above raise doubt about our ability to continue as a going concern. Our 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 H LOANS PAYABLE

The Company s consolidated debt consisted of the following at:

		June 30, 2016	December 31, 2015
Note 1	Monaco 2014	$ 2,800,000	$ 3,449,631
Note 2	Monaco 2016	1,428,944	
Note 3	MINOSA	14,750,001	14,750,001
Note 4	Epsilon	2,981,331	
		$ 21,960,276	$ 18,199,632

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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 first $5.0 million of which (the First Tranche) was advanced upon execution of the Loan Agreement. Subject to the satisfaction of conditions set forth in the Loan Agreement, we had the right to borrow up to an additional $5.0 million in two separate advances of $2.5 million each, which we refer to as the Second Tranche and the Third Tranche. Each of the three advances is evidenced by separate promissory notes (the Notes). The Second Tranche was advanced on October 1, 2014, and the Third Tranche was advanced on December 1, 2014. On December 10, 2015, these promissory notes were amended as part of the asset acquisition agreement with Monaco (See NOTE S in our Form 10-K for the period ended December 31, 2015). 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. The outstanding interest-bearing balance of these Notes at June 30, 2016 was $2.8 million. The book carrying value of the Notes was $2.8 million, all of which is classified as long term. The maturity date has been amended to April 1, 2018. See Loan Modification below.

The indebtedness evidenced by the Notes bears interest at 8.0% percent per year until the first anniversary of the note and 11% per annum from the first anniversary through the maturity date. Principal is payable at the maturity date while interest is payable monthly. As consideration for the Notes, the Company (i) entered into a multi-year agreement in which we granted Monaco an exclusive right to market valuable trade cargo through a marketing joint venture, (ii) assigned to Monaco 100,000 shares of Oceanica Resources S. de. R.L (Oceanica) and (iii) granted Monaco an option whereby Monaco may purchase shares of Oceanica held by Odyssey (the Share Purchase Option) at a purchase price which 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 option may be exercised (i) by conversion of the outstanding principal, (ii) in cash for up to 50% of the initial principal amount of the Note (exercisable until the end of the term of the note) if the Note has been repaid early at the request of Monaco, or (iii) in cash for up to 100% of the initial principal amount of the Note (exercisable until the end of the term of the note) if the Note has been repaid early at the request of the Company. For collateral, we granted the lender a security interest in the proceeds from the sale of valuable trade cargo whenever held, in excess of the proceeds previously pledged under other arrangements, a certain quantity of our Oceanica shares based on the loan balance and certain marine equipment and technology as evidenced by equity in two of our wholly owned subsidiaries. During March 2016, the purchase price of the Share Purchase Option was re-priced to $1.00 per share. See Loan Modification March 2016 below.

Accounting considerations

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

ASC 815 generally requires the analysis 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 material embedded derivative feature consisted of the share purchase option. The share purchase option was not clearly and closely related to the host debt agreement and required bifurcation.

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

	T1 Allocation	T2 Allocation	T3 Allocation
Promissory Note	$ 3,918,254	$ 1,937,540	$ 1,909,127
Embedded derivative (share purchase option)	831,746	562,460	590,873
Common shares of Oceanica	250,000		
	$ 5,000,000	$ 2,500,000	$ 2,500,000

No value was assigned to the multi-year exclusive marketing agreement (entered into with Monaco at the same time as the Loan Agreement) because the value attributable to the multi-year exclusive marketing agreement is compensatory in nature. The value of the compensation will be determined when i) the valuable trade cargo is recovered, and ii) the marketing and sales activities are successful. Accordingly, the compensation related to the 5% fee will be a period expense in the period incurred, or when a sale takes place. The assignment to Monaco of 100,000 shares of Oceanica was valued at $250,000 and was included as part of the allocation of proceeds. The financing basis allocated to the Notes is subject to amortization with periodic charges to interest expense using the effective interest method. Amortization of these components included in interest expense during the year ended December 31, 2015 amounted to $1,895,263. There is no amortization in 2016. The derivative components are subject to re-measurement to fair value at the end of each reporting period with the change reflected in income.

Note 2 Monaco 2016

In March 2016, Monaco agreed to lend us an additional $1.825 million. 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 is payable on April 1, 2018. 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 position in a 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 aboard the MV Dorado Discovery and in our possession or control used for offshore exploration, including an ROV system, deep-tow search systems, winches, multi-beam sonar, and other equipment. We unconditionally and irrevocably guaranteed all obligations of Odyssey and its 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.

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. However since the option is out of the money, it has no material fair value as of the inception date or at June 30, 2016. The debt agreement did not contain additional 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 market price on the date of issuance, therefore a BCF of $456,250 was recorded. The BCF represents a debt discount which will be amortized over the life of the loan. For the six months ended June 30, 2016, interest expense related to the discount in the amount of $60,194 was recorded.

Loan modification (December 10, 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 issued 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 by Monaco from the SS *Central America* shipwreck project (SSCA) or (ii) if the proceeds received by Monaco from the SSCA project are insufficient to pay off the loan balance by December 31, 2017, then Monaco can 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 issued 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 issued on December 1, 2014), Monaco agreed to the extension of maturity to December 31, 2017.

On December 10, 2015, the Monaco call option on $10 million of Oceanica shares held by Odyssey was maintained for the full amount of the original loan amount and was extended until December 31, 2017.

As further described in NOTE S in our Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2015, the Acquisition Agreement was accounted for as a troubled debt restructuring in accordance with ASC 470-60. As a result of the troubled debt restructuring, the carrying values of the remaining Monaco loans were required to be recorded at their undiscounted future cash flow values, which amounted to $3,449,632. No interest expense was to be recorded going forward. Interest payments in the three months ended March 31, 2016 reduced the carrying value.

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 $2.8 million existing loans, $1,349,603 is convertible into shares of Oceanica at a fixed conversion price of

$1.00 per share while the remaining $1,450,397 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 market 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	$ 3,359,463
Present value of forward cash flows	$ 2,554,372
Fair value of equity conversion option	1,063,487
Fair value of debt	$ 3,617,859

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	3,617,859
Difference (premium)*	$ 817,859

* 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 $817,859 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)	(2,800,000)
APIC (Premium)	(817,859)
Difference to APIC*	$ 1,211,810

* 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 (See NOTE I), 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 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 the Don Diego 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. 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. As of 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 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. 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 at June 30, 2016 was $14.75 million. The maturity date of this note has been amended and is now March 18, 2017.

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	$ 1,723,491	$ 14,366,852
Deferred Income (Oceanica Call Option)	67,241	173,659	75,828	39,911	26,509	383,148
Proceeds	$ 2,000,000	$ 6,000,000	$ 3,000,000	$ 2,000,000	$ 1,750,000	$ 14,750,000

The option amount of $383,148 represented a debt discount (see NOTE L). This discount has been fully accreted up to face value using the effective interest method. Accrued interest recorded on the note for the six months ended June 30, 2016 amounted to $634,659.

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 is 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. The outstanding principal at June 30, 2016 was $3,050,000. 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, 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. Upon the occurrence and during the continuance of an event of default, the conversion price will 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 or $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 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 will be amortized over the life of the loan. For the six months ended June 30, 2016, interest expense related to the discount in the amount of $27,331 was recorded.

NOTE I STOCKHOLDERS EQUITY (DEFICIT)

At our Annual Meeting of Stockholders on June 9, 2015, our stockholders approved a 1-for-6 reverse stock split. On February 9, 2016, our Board of Directors authorized an additional 1-for-2 reverse stock split, to be effective immediately after the stockholder-approved 1-for-6 reverse stock split is implemented. The reverse stock splits were effective on February 19, 2016. The two reverse stock splits had the combined effect of a 1-for-12 reverse stock split. At the effective time of the reverse stock splits, every 12 shares of issued and outstanding common stock were converted into one share of issued and outstanding common stock, and the authorized shares of common stock were reduced from 150,000,000 to 75,000,000 shares. The par value remained at $0.0001 per share. All shares and related financial information in this Form 10-Q have been retroactively adjusted to reflect this 1-for-12 reverse stock split.

Common Stock

In March 2015, we issued 333,333 shares of our common stock to Mako Resources, LLC, an Oceanica shareholder, valued in total at $2,520,000 based on our closing stock price on March 11, 2015. These shares were issued as consideration for termination of Mako s option to acquire up to 6.0 million of the shares we hold in Oceanica.

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
	15,650,149		$ 144,462,918

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.

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.

Warrants

Warrants to purchase 130,208 shares of common stock were attached to our formerly outstanding Senior Convertible debt. The exercise price on these warrants is $43.20, and they expire on November 9, 2016.

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 shall 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 shall be 450,000. During our June 2016 shareholder meeting, the shareholders elected to add 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. If an Award is a Non-Qualifying 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 three and six-month periods ended June 30, 2016 and 2015 was $357,872 and $798,773 and $692,501 and $1,393,379, respectively.

We did not grant stock options in the three-month periods ended June 30, 2015. We did grant stock options in the quarter ended June 30, 2016 to two independent directors in lieu of cash for services rendered to the Company as directors. The weighted average estimated fair value of these granted stock options was $1.55. The weighted average fair value of stock options granted is 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 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 or variations from these assumptions can materially affect the fair value of the options.

	June 30, 2016	**June 30, 2015**
Risk-free interest rate	1.29%	
Expected volatility of common stock	80.87%	
Dividend yield	0%	
Expected life of options	8.2 years	

NOTE J CONCENTRATION OF CREDIT RISK

We maintain the majority of our cash at one financial institution. At June 30, 2016, our uninsured cash balance was approximately $1,622,296.

At June 30, 2016, we do not have any debt obligations with variable interest rates.

NOTE K DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarize the components of our derivative liabilities and linked common shares as of June 30, 2016 and December 31, 2015 and the amounts that were reflected in our income related to our derivatives for the periods then ended:

	June 30, 2016	**December 31, 2015**
Derivative liabilities:		
Embedded derivatives derived from:		
2014 Convertible Promissory Notes	$	$ 3,396,191
		3,396,191
Warrant derivatives		
Senior Convertible Notes	3,891	6,225
Warrant derivatives	3,891	6,225

Total derivative liabilities	$ 3,891	$ 3,402,416

	June 30, 2016	**December 31, 2015**
Common shares linked to derivative liabilities:		
Embedded derivatives:		
2014 Convertible Promissory Notes*		3,174,604
		3,174,604
Warrant derivatives		
Senior Convertible Notes	130,208	130,208
	130,208	130,208
Total common shares linked to derivative liabilities	130,208	3,304,812

* The common shares indexed to the 2014 Convertible Promissory Notes are shares indexed to Oceanica.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Derivative income (expense):				
Unrealized gains (losses) from fair value changes:				
Senior Convertible Notes	$	$	$	$
2014 Convertible Promissory Notes		147,142	3,396,190	(331,984)
Warrant derivatives	61,051	64,748	2,335	80,971
	61,051	211,890	3,398,525	(251,013)
Redemptions of Senior Convertible Notes				
Total derivative income (expense)	$ 61,051	$ 211,890	$ 3,398,525	$ (251,013

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

Significant inputs and results arising from the Monte Carlo Simulations process are as follows for the share purchase options that have been bifurcated from our Monaco Notes and classified in liabilities as of March 8, 2016 (Modification Date), December 31, 2015, and the inception dates (Tranche 1 August 14, 2014, Tranche 2 October 1, 2014, Tranche 3 December 1, 2014):

Tranche 1 August 14, 2014:	**March 8, 2016*** **	**December 31, 2015**	**August 14, 2014**
Underlying price on valuation date*	$ 1.25	$ 2.50	$ 2.50
Contractual conversion rate	$ 3.15	$ 3.15	$ 3.15
Contractual term to maturity**	1.82 Years	2.00 Years	2.00 Years
Implied expected term to maturity	1.24 Years	1.82 Years	1.85 Years
Market volatility:			
Range of volatilities	96.0% - 154.0%	85.2% - 109.8%	37.0% - 62.2%
Equivalent volatilities	120.1%	98.1%	51.2%
Contractual interest rate	11.00%	11.00%	8.0% - 11.0%
Equivalent market risk adjusted interest rates	11.60%	11.00%	9.50%
Range of credit risk adjusted yields	3.49% - 5.02%	3.29% - 4.22%	3.94% - 4.45%
Equivalent credit risk adjusted yield	4.13%	3.76%	4.15%

Tranche 2 October 1, 2014:	**March 8, 2016*** **	**December 31, 2015**	**October 1, 2014**
Underlying price on valuation date*	$ 1.25	$ 2.50	$ 2.50
Contractual conversion rate	$ 3.15	$ 3.15	$ 3.15
Contractual term to maturity**	1.82 Years	2.00 Years	2.00 Years
Implied expected term to maturity	1.24 Years	1.82 Years	1.79 Years
Market volatility:			
Range of volatilities	96.0% - 154.0%	85.2% - 109.8%	58.6% - 75.3%
Equivalent volatilities	120.1%	98.1%	68.00%
Contractual interest rate	11.00%	11.00%	8.0% - 11.0%
Equivalent market risk adjusted interest rates	11.60%	11.00%	9.25%
Range of credit risk adjusted yields	3.49% - 5.02%	3.29% - 4.22%	3.97% - 4.61%
Equivalent credit risk adjusted yield	4.13%	3.76%	4.24%

Tranche 3 December 1, 2014:	**March 8, 2016*** **	**December 31, 2015**	**December 1, 2014**
Underlying price on valuation date*	$ 1.25	$ 2.50	$ 2.50
Contractual conversion rate	$ 3.15	$ 3.15	$ 3.15
Contractual term to maturity**	1.82 Years	2.00 Years	2.00 Years
Implied expected term to maturity	1.24 Years	1.82 Years	1.76 Years
Market volatility:			
Range of volatilities	96.0% - 154.0%	85.2% - 109.8%	61.8% - 79.8%
Equivalent volatilities	120.1%	98.1%	72.2%
Contractual interest rate	11.00%	11.00%	8.0% - 11.0%
Equivalent market risk adjusted interest rates	11.60%	11.00%	9.25%
Range of credit risk adjusted yields	3.49% - 5.02%	3.29% - 4.22%	4.29% - 4.84%
Equivalent credit risk adjusted yield	4.13%	3.76%	4.52%

* The instrument is convertible into shares of the Company s subsidiary, Oceanica, which is not a publicly-traded entity. Therefore its shares do not trade on a public exchange. As a result, the underlying value was originally based on private sales of the subsidiary s shares because that was the best indicator of the value of the shares in the past. The last sale of Oceanica s shares in which a private investor accumulated 24% of the shares of which their last purchase price was for $2.50 per share in December 2013. Accordingly the underlying price used in the past in the MCS calculations was the $2.50 for the inception dates and December 31, 2015. Being far removed from December 2013 while considering the modification in March 2016 of the new option price of $1.00 and other market conditions currently prevailing, management determined $1.25 to be fairly representative of the per share fair value.

** On December 10, 2015 the term was extended to December 31, 2017. In March 2016 the term was extended to March 8, 2018.

*** In March 2016 the purchase price of the share purchase options was modified to $1.00 per share. As a result of the re-pricing, the share purchase options no longer require measurement as derivative liabilities. The MCS were calculated for the instruments just prior to the modification on March 8, 2016.

The following table reflects the issuances of the Share Purchase Option derivatives and changes in fair value inputs and assumptions for these derivatives during the six months ended June 30, 2016 and 2015.

	For the six months ended June 30,	
	2016	**2015**
Balances at January 1	$ 3,396,191	$ 2,115,318
Issuances		
Modification	(1,456,826)	
Changes in fair value inputs and assumptions reflected in income	(1,939,365)	331,984
Balances at June 30	$	$ 2,447,302

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

On October 11, 2010, we also issued warrants to acquire 150,000 of our common shares in connection with the Series G Convertible Preferred Stock Financing. During April 4-8, 2011, we issued warrants to acquire 43,750 of our common shares in connection the Series G Convertible Preferred Stock and Warrant Settlement Transaction. Finally, on November 8, 2011, we issued warrants to acquire 108,507 of our common shares in connection with the Senior Convertible Note Financing Transaction. These warrants required liability classification as derivative financial instruments because certain down-round anti-dilution protection or price protection features included in the warrant agreements are not consistent with the concept of equity. We applied the Binomial Lattice valuation technique in estimating the fair value of the warrants because we believe that this technique is most appropriate and reflects all of the assumptions that market participants would likely consider in transactions involving the warrants, including the potential incremental value associated with the down-round anti-dilution protections.

The Binomial Lattice technique is a level three valuation technique because it requires the development of significant internal assumptions in addition to observable market indicators. All remaining warrants linked to 1,725,000 shares of common stock were exercised on October 11, 2013.

All remaining warrants linked to 525,000 shares of common stock expired unexercised on April 13, 2014. Therefore, the warrants linked to 525,000 shares of common stock were not outstanding as of June 30, 2016 or December 31, 2015.

Significant assumptions and utilized in the Binomial Lattice process are as follows for the warrants linked to 130,208 shares of common stock as of June 30, 2016 and December 31, 2015:

	June 30, 2016	**December 31, 2015**
Linked common shares	130,208	130,208
Quoted market price on valuation date	$ 2.02	$ 3.24
Contractual exercise price	$ 43.20	$ 43.20
Term (years)	1.10	1.35
Range of market volatilities	66.2% - 188.1%	92.9% - 113.2%
Risk free rates using zero coupon US Treasury		
Security rates	0.20% - 0.36%	0.16% - 0.65%

Of the 108,507 common shares for which the warrant issued on November 8, 2011 could be exercised, 36,169 of those common shares were accessible only based upon the Company s election to require the lender to provide the additional financing. When the lender provided additional financing of $8,000,000 on May 10, 2012, the additional 36,169 of common shares became accessible. Warrants indexed to an additional 260,417 were issued in conjunction with the additional financing.

The following table reflects the issuances of derivative warrants and changes in fair value inputs and assumptions related to the derivative warrants during the six months ended June 30, 2016 and 2015.

	Six months ended June 30, 2016	**2015**
Balances at January 1	$ 6,225	$ 111,127
Changes in fair value inputs and assumptions reflected in income	(2,334)	(80,971)
Balances at June 30	$ 3,891	$ 30,156

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

NOTE L DEFERRED INCOME AND REVENUE PARTICIPATION RIGHTS

The Company s participating revenue rights and deferred income consisted of the following at:

	June 30, 2016	**December 31, 2015**
Cambridge project	$ 825,000	$ 825,000
Seattle project	62,500	62,500
Galt Resources, LLC (HMS Victory project)	3,756,250	3,756,250
Oceanica call option (MINOSA)		383,148
Total deferred income and participating revenue rights	$ 4,643,750	$ 5,026,898

***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.

Oceanica Call Option

On March 11, 2015, we agreed to issue and sell up to $14.75 million in Promissory Notes (See NOTE H) to Minera del Norte, S.A. de C.V. (MINOSA) 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). 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. The option deposit account in this case is deferred income. This Oceanica Call Option expired on March 11, 2016 and has been charged to other income.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion will assist in the understanding of our financial condition and results of operations. The information below should be read in conjunction with the financial statements, the related notes to the financial statements and our Annual Report on Form 10-K for the year ended December 31, 2015.

In addition to historical information, this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 regarding the Company s expectations concerning its future operations, earnings and prospects. On the date the forward-looking statements are made, the statements represent the Company s expectations, but the expectations concerning its future operations, earnings and prospects may change. The Company s expectations involve risks and uncertainties and are based on many assumptions that the Company believes to be reasonable, but such assumptions may ultimately prove to be inaccurate or incomplete, in whole or in part. Accordingly, there can be no assurances that the Company s expectations and the forward-looking statements will be correct. Please refer to the Company s most recent Annual Report on Form 10-K for a description of risk factors that could cause actual results to differ from the expectations stated in this discussion. Odyssey disclaims any obligation to update any of these forward-looking statements except as required by law.

Operational Update

Additional information regarding our announced projects can be found in our Annual Report on Form 10-K for the year ended December 31, 2015. Only projects with material status updates since those reports were filed are discussed below. We may have other projects in various stages of planning or execution that may not be disclosed for security or legal reasons until considered appropriate by management.

We have numerous marine projects in various stages of development around the world for ourselves and for external clients. In order to protect the targets of our planned survey, search or recovery operations, we may defer disclosing specific information relating to our projects until we have located a shipwreck, mineral deposits or other potentially valuable sources of interest and determined a course of action to protect our property rights and those of our clients. With respect to mineral deposits, 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. If work is conducted on behalf of a client, release of information may be limited by the client. Although we have a variety of projects in various stages of development, only projects with current activity are included below.

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 depth. This program also offers services for deep-ocean resource explorations, ship and airplane wreck explorations, archaeological recovery and conservation and insurance documentation.

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 (OME), 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 (known as the Don Diego deposit). Phosphate is a key ingredient of fertilizers. In March 2014, we announced the receipt of the first NI 43-101 compliant technical report and preliminary assessment on the deposit. This report is periodically updated. The Don Diego deposit is currently our main mineral project and is important to our future. Based on test results, we believe the Don Diego 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 Mexico 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. Oceanica has been working with leading environmental experts on the impact assessment and permitting process, with Royal Boskalis on the extraction and processing program, and with JPMorgan and the AHMSA group of companies on the strategic growth alternatives and plans.

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 order to move to the next phase of development of this phosphate deposit, which would involve the dredging and recovery of phosphate sands from the Don Diego deposit, ExO needs to receive approval of an environmental permit, known internationally as an Environmental Impact Assessment (EIA) and in Mexico as a Manifestación de Impacto Ambiental (MIA). This EIA needs to be approved by the Mexican Secretary of Environment and Natural Resources (SEMARNAT). ExO submitted an EIA application in June 2015. On April 8, 2016, SEMARNAT denied the application for this environmental license as presented. On April 29, 2016, ExO filed documents with the Mexican government requesting a review of this recent decision. Along with our Mexican partner (AHMSA), we continue to evaluate alternatives to gain approval of this EIA.

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 or purchase some Oceanica shares from us at a pre-defined price (See NOTE H). This loan was amended on December 10, 2015, extending the maturity date of the loan to December 31, 2017 and allowing Monaco to retain the call option on 3,174,603 shares of Oceanica held by Odyssey until December 31, 2017. On April 15, 2016, we executed a new loan with Monaco and amended the existing loan with Monaco allowing Monaco the right to purchase the same total number of shares of Oceanica held by Odyssey, but at a lower price per share. Monaco also received a second priority interest in and the right to purchase up to $9.3 million of the Convertible Promissory Note between ExO and another Odyssey subsidiary (see NOTE H). The maturity date on the existing and new loans from Monaco was set at April 1, 2018.

Odyssey currently owns 54% of ExO. 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 currently has a maturity date of March 18, 2017 (see NOTE H). In March 2016, Odyssey entered into a loan agreement with Epsilon Acquisitions, LLC, a company affiliated with MINOSA. Odyssey pledged all of its shares in Oceanica as collateral for the $3.0 million loan from Epsilon and also granted Epsilon a security interest in certain intercompany balances of Odyssey (see NOTE H).

Shipwreck Exploration Projects

Other Projects

During the first and second quarters of 2016, we performed contracted services for a third party related to seafloor survey work in the Mediterranean using our vessel, equipment, and crew. In the second quarter of 2016, we were contracted by a third party to perform offshore services for approximately $2.4 million. These services will be delivered during the third quarter of 2016.

Critical Accounting Policies and Changes to Accounting Policies

There have been no material changes in our critical accounting estimates since December 31, 2015, nor have we adopted any accounting policy that has or will have a material impact on our consolidated financial statements.

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 in Part I, Item 1.

Three-months ended June 30, 2016, compared to three-months ended June 30, 2015

Increase/(Decrease)			**2016 vs. 2015**	
(Dollars in millions)	**2016**	**2015**	**$**	**%**
Total revenues	$ 1.2	$ 0.4	$ 0.8	179%
Cost of sales	$ 0.0	$ 0.2	$ (0.2)	100%
Marketing, general and administrative	1.9	3.4	(1.4)	42%
Operations and research	1.3	2.8	(1.6)	55%

Increase/(Decrease)			**2016 vs. 2015**	
(Dollars in millions)	**2016**	**2015**	**$**	**%**
Total operating expenses	$ 3.2	$ 6.4	$ (3.2)	50%
Other income (expense)	$ (0.5)	$ (0.8)	$ (0.3)	32%
Income tax benefit (provision)	$	$	$	0%
Non-controlling interest	$ 0.7	$ 0.6	$ 0.0	7%
Net income (loss)	$ (1.9)	$ (6.1)	$ 4.3	73%

The explanations that follow are for the three-months ended June 30, 2016, compared to the three-months ended June 30, 2015.

Revenue

Revenue is primarily now generated through the sale of our marine services either through expedition charters or for the services from our crew and equipment.

Total revenue in the current quarter was $1.2 million, a $0.8 million increase over the revenue in the same period a year ago and was derived from the performance of expedition marine survey services. The majority of revenue in the same quarter last year was generated from the sales of inventory items such as coins as well as from providing equipment and personnel to a third party offshore operator under a services agreement that generated $0.2 million of expedition revenue.

Operating Expenses

We did not have any cost of sales in this current quarter of 2016 due to not having any remaining inventory. The prior year cost of sales consisted primarily of shipwreck recovery costs, grading, conservation, packaging, and shipping costs associated with cargo and merchandise sales. Cost of sales was recorded for the sale of each *Republic* coin, artifact or the sale of merchandise and other items that were owned by us. All of our inventory items held for re-sale were sold in the course of 2015 and we thus have no similar inventory items or costs of sales in 2016.

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 by $1.4 million from $3.4 million in 2015 to $1.9 million in 2016 as a result of (i) a reduction of $0.3 million of personnel and related expenses, (ii) $0.4 million decrease in sharebased compensation due to not granting employee stock options in 2016, (iii) $0.5 million reduction from legal fees that were associated with the Stock Purchase Agreement signed with MINOSA in 2015 as well as the HMS Victory and (iv) $0.2 million of general corporate overhead reductions.

Operations and research expenses primarily include all costs within Archaeology, Conservation, Exhibits, Research, and Marine operations, which include all vessel and charter operations. Operations and research expenses decreased by $1.6 million from 2015 to 2016 as a result of (i) a reduction of $0.1 million of personnel and related expenses in our conservation and research departments, (ii) $0.5 million less in mineral operations support, (iii) $0.9 million in 2016 reduced marine expenses due to the *Odyssey Explorer* having down time in preparation for sale as compared to the prior year when the vessel carried a full crew and (iv) $0.1 million gain from the sale of the *Odyssey Explorer*.

Other Income and Expense

Other income and expense generally consists of interest income on investments offset by interest expense on our bank term and other mortgage loans and convertible notes. It can also include the change in fair value of the derivatives related to our issuance of certain convertible warrants and notes. Total other expense decreased from $0.8 million in 2015 to $0.5 million in 2016 primarily as a result of decreased interest expense of $0.4 million. This interest expense decrease is the result having our interest-bearing and our discount note balances retired from our balance during the fourth quarter of 2015 (See NOTE H). Discounted debt accretion was $0.1 million in the current quarter compared to $0.5 million in the same quarter last year. Other income in the current quarter includes income of $0.1 million due to the market volatility tied to our warrant derivative. In 2015, Other income included $0.2 million in income from the change in the fair value of derivative financial instruments primarily caused by volatility, stock price and other assumptions.

Taxes and Non-Controlling Interest

We did not accrue any taxes in the second quarter of either 2016 or 2015.

Starting in 2013, we became the controlling shareholder of Oceanica. Our financial statements thus include the financial results of Oceanica. 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 in the second quarter of 2016 was $0.7 million as compared to $0.6 million in the second quarter of 2015. This increase is mainly linked to increased administrative expenditures and a higher net loss of Oceanica in 2016 while it continues to support securing its environmental permit application in Mexico.

Six-months ended June 30, 2016, compared to six-months ended June 30, 2015

Increase/(Decrease)			**2016 vs. 2015**	
(Dollars in millions)	**2016**	**2015**	**$**	**%**
Total revenues	$ 1.8	$ 0.6	$ 1.3	226%
Cost of sales	$ 0.0	$ 0.4	$ (0.4)	100%
Marketing, general and administrative	4.3	6.4	(2.1)	32%
Operations and research	3.5	6.3	(2.8)	44%
Common stock issued for subsidiary stock option settlement	0.0	2.5	(2.5)	100%
Total operating expenses	$ 7.8	$ 15.5	7.8	50%
Other income (expense)	$ 2.8	$ (1.9)	$ (4.8)	246%
Income tax benefit (provision)	$	$	$ 0.0	0%
Non-controlling interest	$ 1.4	$ 1.1	$ 0.3	30%
Net income (loss)	$ (1.8)	$ (15.8)	$ 14.1	89%

The explanations that follow are for the six-months ended June 30, 2016, compared to the six-months ended June 30, 2015.

Revenue

Total revenues increased by $1.3 million in the first six months of 2016 as compared to the same period in 2015 mainly as a result of a marine survey services contract in 2016. The majority of revenue in 2015 resulted from the sale of inventory items, such as recovered cargo, and marine services.

Operating Expenses

Cost of sales in previous years included the sale of *Republic* coins or the sale of merchandise and other items owned by us. In previous years we acquired non-refined *Gairsoppa* silver bars from the UK government. The sale of these silver bars and other *Gairsoppa* merchandise were sold in 2015 generating cost of sales. Cost of sales in 2015 includes a write-down of the carrying value of our inventory of *Gairsoppa* silver bars as a result of a decline in world silver prices.

Marketing, general and administrative expenses decreased from $6.4 million in 2015 to $4.3 million in 2016. This variance of $2.1 million is primarily due to (i) $0.5 million in personnel related reductions in staff and associated expenses, (ii) $0.6 million in reduced corporate professional and legal fees due to 2015 being greater due to transaction costs linked to the Stock Purchase Agreement with MINOSA, (iii) $0.7 million in reduced sharebased compensation due to management s decision to not issue employee stock options in 2016 and (iv) a $0.3 million reduction in general corporate overhead expenses.

For the first six months of 2016, Operations and research expenses were $3.5 million compared to $6.3 million for the same period in 2015. The variance of $2.8 million is primarily due to (i) conservation and research personnel staff and related reduction of $0.2 million, (ii) $0.8 million reduction in mineral operations which is comprised a payment of $.02 million on an incremental sea bed mineral permit in 2015 and a $0.6 million reduction in mineral outside professional expertize that was required in 2015 when the MIA application was in process, and (iii) $1.8 million in reduced marine services costs which is comprised of a $1.0 million 2015 dry dock repair for our vessel, *Odyssey Explorer*, $0.7 due to the *Odyssey Explorer* having down time in preparation for sale as compared to the prior year when the vessel carried a full crew and a $0.1million gain from the sale of the *Odyssey Explorer*.

Common stock issued for subsidiary stock option settlement was $2.5 million in the first six months of 2015 compared to nil in the same period in 2016. This represented the cost of exchanging 4.0 million newly issued shares of our common stock for cancelling MAKO Resources call option on 6.0 million shares of Oceanica held by us. This transaction ensured that we maintained majority control over Oceanica.

Other Income and Expense

Other income and expense decreased from an expense of $1.9 million in 2015 to $2.8 million of income in 2016, an improvement of $4.8 million which primarily resulted from $3.6 million of fair value derivative accounting mainly related to the Monaco loans. In 2016, we entered into a new loan with Monaco Financial, LLC (Monaco) whereby there was removal of the protection on the conversion price as well as a reduction in the conversion price at which the loans can be converted by Monaco into up to 3,174,603 shares of Oceanica held by us (see NOTE H). Components of the $3.6 million are mainly comprised of change in stock price, volatility million and the reversal of the derivative due to the cessation of the conversion price protection that no longer exists related to our Monaco notes (See NOTE H). Interest expense also decreased by $0.8 million due to the reduction of note payable discount accretion related to the settlement of the Monaco notes. The remaining $0.4 million is from the recognition of the deferred liability associated with the MINOSA call option described in NOTE L. The MINOSA call option expired in March 2016.

Taxes and Non-Controlling Interest

We did not accrue any taxes in the second quarter of either 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 in the first six months of 2016 was $1.4 million as compared to $1.1 million during the first half of 2015. This increase is mainly linked to increased administrative expenditures and a higher net loss of Oceanica in 2016 while it continues to support securing its environmental permit application in Mexico.

Liquidity and Capital Resources

(In thousands)	Six-Months Ended June 2016	June 2015
Summary of Cash Flows:		
Net cash used by operating activities	$ (5,298)	$ (12,178)
Net cash (used) provided by investing activities	141	805
Net cash provided by financing activities	4,748	13,855
Net (decrease) increase in cash and cash equivalents	$ (409)	$ 2,481
Beginning cash and cash equivalents	2,241	3,144
Ending cash and cash equivalents	$ 1,832	$ 5,624

Discussion of Cash Flows

Net cash used by operating activities for the first six months of 2016 was $5.3 million, or an improvement of $6.9 million compared to the same period in 2015. This net cash used by operating activities reflects a net loss before non-controlling interest of $3.2 million offset in part by non-cash items of $(2.5) million which primarily include depreciation and amortization of $0.6 million, share-based compensation $0.7 million, call option deferred liability recognition of $(0.4) and the change in the fair value of derivative liabilities $(3.4) million, see NOTE K. Other operating activity changes resulted in an increase in working capital of $0.3 million. This primarily included an decrease in accounts payable in 2016 of $(0.3) million and an increase in accrued expenses of $1.5 million, partially offset by a decrease in accounts receivable and inventory of ($0.9) million.

Cash flows used for investing activities for the first six months of 2016 were $0.1 million mainly related to the sale of our vessel, *Odyssey Explorer*. Investing activities in the first half of 2015 generated net cash inflows of $0.8 million as a result of the sale of our Nassau Street building in Tampa.

Cash flows provided by financing activities for the first six months of 2016 were $4.7 million. During this period, we borrowed $3.0 million from Epsilon and $1.8 million from Monaco (see NOTE H). This cash inflow was partially offset by repayment of debt obligations $0.1 million. Cash flows provided by financing activities for the first six months of 2015 were $13.9 million. In 2015, we received loan proceeds of $14.8 million on the loan from MINOSA (see NOTE H) offset by payments made on loans of $1.2 million, primarily as a result of repaying the mortgage loan of $0.6 million associated with the sale of the Nassau Street building and the payment of $0.5 million on another bank loan.

Other Cash Flow and Equity Areas

General Discussion

At June 30, 2016, we had cash and cash equivalents of $1.8 million, a decrease of $0.4 million from the December 31, 2015 balance of $2.2 million. This decrease was mainly the net result of cashflows associated with the operating loss that were partially offset by the new loans of $3.0 million from Epsilon and $1.8 million from Monaco (see NOTE H).

Financial debt of the company, excluding the derivative component of such debt, increased by $3.8 million in the first six months of 2016, from a balance of $18.2 million at December 31, 2015 to a balance of $22.0 million at June 30, 2016. This increase is primarily related to the new $3.0 million loan from the agreement with Epsilon (see NOTE H)

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	7,223,142	$ 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.

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 March 31, 2016 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 the Don Diego 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).

On March 18, 2016, Odyssey entered into a $3.0 million Note Purchase Agreement with Epsilon Acquisitions LLC (see 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 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 March 18, 2016 we entered into a Note Purchase Agreement (Purchase Agreement) with Epsilon Acquisitions, LLC (Epsilon). Pursuant to the Purchase Agreement, Epsilon will loan us $3.0 million in two installments of $1.5 million due on March 31, 2016 and April 30, 2016. The indebtedness bears interest at a rate of 10% per annum and matures 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. The outstanding principal June 30, 2016 is $3.1 million. In Pledge agreements related to the Purchase Agreement, we granted security interests to Epsilon in (a) the 54 million cuotas (at unit of ownership under Panamanian law) of Oceanica Resources S. de R.L. (Oceanica) held by our wholly owned subsidiary, 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. At any time after Epsilon has advanced the full $3.0 million to us, Epsilon has the right to convert the 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. This conversion price at the inception of this note led to a beneficial conversion feature of $96,000 which was bifurcated from the Purchase Agreement balance and applied as an increase to additional paid in capital. Upon the occurrence and during the continuance of an event of default, the conversion price will 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 Note 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 December 31, 2016, 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; (b) OME or we fail to perform or observe any term, covenant, or agreement in the Note 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 or \$100,000; and (g) a change in control (as defined in the Purchase Agreement) occurs.

In connection with the execution and delivery of the Note 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.

Promissory Note

On April 15, 2016, Odyssey Marine Exploration, Inc. (Odyssey) and its wholly owned subsidiaries Oceanica Marine Operations, S.R.L. (OMO), Odyssey Marine Services, Inc. (OMS), and Odyssey Marine Enterprises, Ltd. (OME) executed a Loan and Security Agreement (the Loan Agreement) with Monaco Financial LLC (Monaco) pursuant to which Odyssey borrowed \$1.825 million from Monaco. Monaco advanced the entire amount to us in March 2016 upon execution of a Letter of

Intent. The indebtedness is evidenced by a Convertible Promissory Note (the Note) that provides for interest at the rate of 10.0% per annum on the outstanding amount of principal, with the entire unpaid principal sum outstanding, together with any unpaid interest thereon, being due and payable on April 15, 2018. Odyssey has the right to prepay the indebtedness, in whole or in part, upon 30 days notice to Monaco.

Pursuant to the Loan Agreement and as security for the indebtedness, Monaco was granted a 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 OMO, and all rights associated therewith (the OMO Collateral); and (b) all technology and assets aboard the MV Dorado Discovery and in OMS s possession or control used for offshore exploration, including an ROV system, deep-tow search systems, winches, multi-beam sonar, and other equipment. OME unconditionally and irrevocably guaranteed all obligations of Odyssey, OMO, and OMS to Monaco under the 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.

The Loan Agreement also contains customary representations and warranties of the parties, covenants, and events of default.

The Note provides that Monaco has the right, at any time before April 15, 2018, to convert any portion of the outstanding principal amount and any accrued interest under the Note and up to $1,374,603 of the promissory notes issued by Odyssey to Monaco in August 2014, into cuotas of Oceanica Resources S. de R.L. (Oceanica) held by OME, at a conversion price of $1.00. The Note further provides that the maximum number of Oceanica cuotas that can be acquired by Monaco upon conversion is 3,174,603 cuotas.

Project Term Loan

During October 2015 we entered into a $2.0 million loan agreement with Monaco Financial, LLC (Monaco) to provide up to $2.0 million. We received the initial advance of $1.0 million on October 30, 2015. On December 10, 2015, Odyssey, Monaco, and certain affiliates of Monaco entered into and completed the transactions contemplated by an acquisition agreement (the Acquisition Agreement) pursuant to which, among other things, we sold certain assets to Monaco and its affiliates, and Monaco (a) repaid our indebtedness for borrowed money owed to a bank, (b) reduced the amount of indebtedness owed by us to Monaco and agreed to certain modifications regarding the remaining indebtedness, and (c) applied the amount of advances previously made by Monaco to us, as well as additional cash, to the consideration paid to us for the transaction. More significantly, Monaco extinguished the $2.0 million loan it had made to us in the fourth quarter of 2015, settled in full all of our three bank loans ($11.7 million), and amended or extinguished certain loans made in 2014 by Monaco to us (extinguished $2.2 million of the loans, ceased interest on $5.0 million of the loans and made it only repayable under certain circumstances, and extended the maturity of the remaining $2.8 million of loans.

In August 2015, we amended our term loan with Fifth Third Bank (the Bank) setting the maturity date on the loan at December 17, 2015. In January and July 2014 and 2015 we made required semi-annual principal payments of $500,000 on the loan. This loan was settled in full on December 10, 2015 in connection with the transaction with Monaco. The balance of this loan at December 31, 2015 was $0.

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 remainder of 2016 or the following twelve months is dependent upon our success in chartering our marine equipment and services to third parties, monetizing our interests in mineral exploration entities, collecting on amounts owed to us, generating income from other project or asset based financing, and completing the MINOSA/Penelope equity financing transaction approved by our stockholders on June 9, 2015. Our 2016 business plan requires us to generate new cash inflows during 2016 to effectively allow us to perform our planned projects. We plan to generate new cash inflows through the chartering of our equipment and services, the monetization of our receivables and equity stakes in seabed mineral companies, financings, syndications or other partnership opportunities. One or more of the planned opportunities for raising cash may not be realized to the extent needed to meet our desired projected business plan requirements, which may require us to follow a contingency business plan that is based on curtailed expenses and requires less cash inflows. We may not be able to maintain compliance with NASDAQ s continued listing requirements, which could lead to a de-listing from NASDAQ and move to a different quotation service. This may have a negative impact on our ability to raise funds. On April 11, 2016 our market capitalization value fell below $35.0 million, the required minimum for continued listing of our stock on NASDAQ. Maintaining a market capitalization of at least $35.0 million for a minimum of ten consecutive business days before November 21, 2016 will permit us to remain listed. Management is working on multiple initiatives that could have the effect of curing this deficiency, however, we cannot provide any assurance the deficiency will be resolved. Initiatives include generating new business results with high positive impact and ongoing efforts to support the environmental application approval process for the Don Diego project, with the goal of approval in the second half of 2016. 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 Penelope agreed to invest up to $101 million over three years in convertible preferred stock of Odyssey. This equity financing is subject to the satisfaction of certain conditions, including the approval of our stockholders, which occurred on June 9, 2015. MINOSA and Penelope are currently under no obligation to make the preferred share equity investments. (See Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations General Discussion 2015 Financings.) Our consolidated non-restricted cash balance at June 30, 2016 was $1.8 million, which is insufficient to support operations through the end of 2016. We have a working capital deficit at June 30, 2016 of $20.7 million. We sold a substantial part of our assets to Monaco and its affiliates on December 10, 2015 and we have pledged the majority of our remaining assets to MINOSA and its affiliates, and to Monaco, leaving us with few opportunities to raise additional funds based on our balance sheet. The total consolidated book value of our assets was $6.8 million at June 30, 2016 and the fair market value of these assets may differ from their net carrying book value. Even though we executed the above noted financing arrangements, 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 in Mexico s exclusive economic zone in the Pacific Ocean. The environmental permit application filed in June 2015 was denied on April 8, 2016. We continue to pursue approval of the environmental permit for the dredging and extraction of the phosphate sands off the western coast of Mexico, but the April 2016 decision has delayed our expected cash inflows from this project. Therefore, the factors noted above raise doubt about our ability to continue as a going concern. Our 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.

New Accounting Pronouncements

As of June 30, 2016, the impact of recent accounting pronouncements on our business is not considered to be material.

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.

ITEM 3. 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. At June 30, 2016, we do not have any debt obligations with variable interest rates.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of the end of the period covered by this report, based on an evaluation carried out under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures, the CEO and CFO have concluded that our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting to date in 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 1A. Risk Factors

For information regarding risk factors, please refer to Item 1A in the Company s Annual Report on Form 10-K for the year ended December 31, 2015. Investors should consider such risk factors, as well as the risk factor set forth below, prior to making an investment decision with respect to the Company s securities.

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. We may enter into convertible debt deals whereas our shares may be acquired from time to time upon conversion of the outstanding debt. At times, conversion prices could be lower than market price of our common stock at the time of conversion.

Our common stock is listed on the NASDAQ Capital Market, which imposes, among other requirements, a minimum bid requirement and a minimum market capitalization requirement. If we are not compliant with these continued listing requirements, we could be de-listed from the NASDAQ Capital Market. See Going Concern Consideration in ITEM 1A. Risk Factors.

Our ability to continue as a going concern is largely dependent upon our ability to raise capital, including consummating the transactions contemplated by the Stock Purchase Agreement with Minera del Norte S.A. de c.v. (MINOSA) and Penelope Mining LLC (Penelope), an affiliate of MINOSA. MINOSA s and Penelope s obligation to consummate the transactions is conditioned upon, among other things, their satisfaction with the viability, including our receipt of the necessary permits, of our project to develop a mineralized phosphate deposit in Mexico s exclusive economic zone in the Pacific ocean. Our environmental permit application filed in June 2015 was denied on April 8, 2016, but we are still seeking approval of our application. We cannot assure our ability to continue as a going concern unless we are able to raise additional capital.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 5. Other information

On July 26, 2016, the Company executed a severance agreement (the Severance Agreement) with Philip S. Devine, the Company s former Chief Financial Officer. As previously disclosed, Mr. Devine s employment with the Company was terminated as of June 8, 2016 (the Termination Date).

Pursuant to the Severance Agreement (a) all of Mr. Devine s outstanding stock options and shares of restricted stock that had not vested or had not been exercised as of the date of the Severance Agreement will be vested, and the Company will grant Mr. Devine an extension of time to exercise all his outstanding stock options at any time on or before their scheduled expiration dates; (b) Mr. Devine waived the $260,000 long-term equity incentive award that he was entitled to receive in 2016; (c) the parties agreed that Mr. Devine has earned forty-four percent of his non-equity annual incentive award for the year ending December 31, 2016, as determined by the compensation committee (the Compensation Committee) of the Company s board of directors, and such amount will be paid no later than the earlier of (i) the date that any other of the Company s officers is paid his or her 2016 annual incentive award or (ii) February 28, 2017, and may be paid in cash or in a combination of cash and shares of the Company s common stock, as determined in the Company s sole discretion; (d) the Company will reimburse Mr. Devine for payment of his COBRA family plan payments for as long as he remains eligible for COBRA or until he enrolls in a new health insurance plan, whichever is sooner; (e) the Company will pay Mr. Devine, in accordance with the Company s normal payroll procedures, nine months of continuation pay in an amount equal to two-thirds of his salary at the date his employment with the Company terminated (the Termination Date); (f) the parties agreed that Mr. Devine earned his non-equity annual incentive award for the year ended December 31, 2015, and such amount will be paid in three monthly installments beginning in July 2016; (g) to the extent not previously paid, the Company will pay Mr. Devine, in a lump sum, his base salary through the Termination Date, including any amounts previously deferred; and (h) the Company will reimburse Mr. Devine for all professional expenses he incurred prior to the Termination Date.

The Severance Agreement contains customary confidentiality provisions, provides that Mr. Devine will not directly or indirectly compete with the Company in any underwater exploration business for a period of two years following the Termination Date, and prohibits Mr. Devine from recruiting the Company s employees and consultants for employment or for contract with any business in which Mr. Devine has an interest. Pursuant to the Severance Agreement, Mr. Devine also provided the Company a customary release from and covenant not to sue the Company for specified claims, and the Company agreed to continue to indemnify Mr. Devine to the same extent that the Company was obligated to indemnify his in connection with his employment as an officer of the Company prior to the Termination Date and to maintain, for a period of 12 months after the Termination Date, directors and officers liability insurance covering Mr. Devine for acts during his employment with the Company.

ITEM 6. Exhibits

10.1	Severance Agreement between the Company and Philip S. Devine (Filed herewith electronically)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith electronically)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith electronically)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (Filed herewith electronically)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Filed herewith electronically)
101.1	Interactive Data File

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ODYSSEY MARINE EXPLORATION, INC.

Date: August 1, 2016

By: /s/ Jay A. Nudi
Jay A. Nudi, as Interim Chief Financial Officer,
Chief Accounting Officer, and Authorized Officer
(Principal Financial Officer)