

ODYSSEY MARINE EXPLORATION INC

Form 10-Q

November 09, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 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
(State or other jurisdiction of
incorporation or organization)
5215 W. Laurel Street, Tampa, Florida 33607
(Address of principal executive offices) (Zip code)
(813) 876-1776
(Registrant's telephone number, including area code)

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

(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 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 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:

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

The number of outstanding shares of the registrant's Common Stock, \$.0001 par value, as of October 20, 2016 was 7,599,894.

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	Unaudited September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 529,487	\$ 2,241,317
Restricted cash	10,000	
Accounts receivable and other, net	1,280,017	801,575
Other current assets	416,090	502,698
Total current assets	2,235,594	3,545,590
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	17,679,480	22,460,256
Accumulated depreciation	(15,660,923)	(19,633,420)
Total property and equipment	2,018,557	2,826,836
NON-CURRENT ASSETS		
Other non-current assets	532,500	540,590
Total non-current assets	532,500	540,590
Total assets	\$ 4,786,651	\$ 6,913,016
LIABILITIES AND STOCKHOLDERS EQUITY/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 2,099,051	\$ 1,567,620
Accrued expenses and other	4,727,138	4,265,456
Deferred income		383,148
Derivative liabilities	142	3,402,416
Loans payable	17,755,196	15,058,845
Total current liabilities	24,581,527	24,677,485
LONG-TERM LIABILITIES		

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Loans payable	4,281,264	3,140,787
Deferred income and revenue participation rights	4,643,750	4,643,750
Total long-term liabilities	8,925,014	7,784,537
Total liabilities	33,506,541	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; 7,599,894 issued and outstanding at September 30, 2016 and 7,541,111 issued and outstanding at December 31, 2015	760	754
Additional paid-in capital	207,216,887	204,438,148
Accumulated deficit	(224,540,853)	(220,634,415)
Total stockholders equity/(deficit) before non-controlling interest	(17,323,206)	(16,195,513)
Non-controlling interest	(11,396,684)	(9,353,493)
Total stockholders equity/(deficit)	(28,719,890)	(25,549,006)
Total liabilities and stockholders equity/(deficit)	\$ 4,786,651	\$ 6,913,016

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited**

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
REVENUE				
Recovered cargo sales and other	\$ 2,389	\$ 1,368,795	\$ 7,057	\$ 1,689,968
Exhibit		12,500		45,852
Expedition	2,880,851	77,358	4,675,978	281,667
Total revenue	2,883,240	1,458,653	4,683,035	2,017,487
OPERATING EXPENSES				
Cost of sales – recovered cargo and other		873,517		1,250,982
Marketing, general and administrative	2,193,734	2,630,094	6,511,574	9,000,307
Operations and research	2,886,857	2,306,053	6,380,651	8,557,109
Common stock issued for subsidiary stock option settlement				2,520,000
Total operating expenses	5,080,591	5,809,664	12,892,225	21,328,398
INCOME (LOSS) FROM OPERATIONS	(2,197,351)	(4,351,011)	(8,209,190)	(19,310,911)
OTHER INCOME (EXPENSE)				
Interest income		27		122
Interest expense	(598,931)	(1,206,662)	(1,529,278)	(2,888,386)
Change in derivative liabilities fair value	3,748	(4,732)	3,402,273	(255,745)
Other	(5,063)	(11,944)	386,567	(22,819)
Total other income (expense)	(600,246)	(1,223,311)	2,259,562	(3,166,828)
(LOSS) BEFORE INCOME TAXES	(2,797,597)	(5,574,322)	(5,949,628)	(22,477,739)
Income tax benefit (provision)				
NET (LOSS) BEFORE NON-CONTROLLING INTEREST	(2,797,597)	(5,574,322)	(5,949,628)	(22,477,739)
Non-controlling interest	665,294	994,067	2,043,191	2,056,794
NET (LOSS)	\$ (2,132,303)	\$ (4,580,255)	\$ (3,906,437)	\$ (20,420,945)
NET (LOSS) PER SHARE				
Basic and diluted (See NOTE B)	\$ (0.28)	\$ (0.60)	\$ (0.52)	\$ (2.76)

Weighted average number of common shares
outstanding

Basic	7,558,835	7,481,798	7,548,136	7,387,952
Diluted	7,558,835	7,481,798	7,548,136	7,387,952

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

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss before non-controlling interest	\$ (5,949,628)	\$ (22,477,739)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Depreciation and amortization	835,428	1,093,747
Director fees settled with equity instruments	39,399	
Loss on sale of building and land		29,404
Gain on sale of equipment	(992,595)	
Financed lender fees	50,000	
Change in derivatives liabilities fair value	(3,402,273)	255,745
Note payable interest accretion	163,709	1,277,026
Inventory markdown		151,922
Common stock issued for subsidiary stock option settlement		2,520,000
Share-based compensation	1,436,753	2,135,071
Deferred revenue	(383,148)	
(Increase) decrease in:		
Accounts receivable	(478,442)	(411,197)
Inventory		972,352
Other assets	(11,007)	272,467
Increase (decrease) in:		
Accounts payable	371,840	(2,645,548)
Accrued expenses and other	1,795,073	1,446,660
NET CASH (USED) BY OPERATING ACTIVITIES	(6,524,891)	(15,380,090)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	200,000	850,000
Purchase of property and equipment	(125,150)	(42,828)
Acquisition of subsidiary		(2,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	74,850	805,172
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	4,825,000	14,750,001
Restricted cash held as collateral	(10,000)	308,612
Repayment of mortgage and loans payable	(76,789)	(1,786,844)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,738,211	13,271,769

NET (DECREASE) INCREASE IN CASH	(1,711,830)	(1,303,149)
CASH AT BEGINNING OF PERIOD	2,241,317	3,143,550
CASH AT END OF PERIOD	\$ 529,487	\$ 1,840,401

SUPPLEMENTARY INFORMATION:

Interest paid	\$ 798,263	\$ 1,098,719
Income taxes paid	\$	\$

NON-CASH TRANSACTIONS:

Accrued director fees paid with equity instruments	\$ 177,500	\$
Accounts payables settled as non-cash consideration for the sale of equipment	\$ 890,598	