

Odyssey Marine Exploration, Inc.

NAFTA Decision Nearing as Industry Acceptance Accelerates Pointing to OMEX Value Creation

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KEY POINTS

- **We hosted a fireside chat with CEO and Chairman of the Board of Directors Mark D. Gordon on June 13, 2024.** This report contains a transcript of the conversation, which can be accessed [on demand](#).
- **Getting current with SEC.** Changing auditors in mid-2023 resulted in the re-evaluation of certain items, such as the accounting treatment of NAFTA litigation-related expenses that necessitated restatements of the balance sheet and caused OMEX to delay its 3Q23, 10K, and 1Q24 SEC filings. However, with the restatement work completed, the company has caught up on its 10-K and 1Q24 10-Q filings with the SEC. Importantly, the nature of restatements did not affect OMEX's operations or capital position.
- **Shipwreck provides needed room.** In May 2024, OMEX received a payment of ~\$9.4 million arising from its residual economic interest in a shipwreck project and intends to use the funds to repay maturing debt, as well as to fund company operations. Earlier this month, management was [notified by the NAFTA arbitration tribunal](#) that a decision in its case versus Mexico had been reached. An announcement is likely to come by the end of June, possibly slipping into early July, depending on the time it takes to translate the decision documents. OMEX believes current cash on hand is sufficient to sustain the company through 3Q24, i.e., provide sufficient room for the NAFTA decision to be publicized and evaluated by management.
- **NAFTA decision can expand performance horizons.** OMEX continues to believe in the strong merits of its case as it relates to Mexico's refusal to grant the company and its partner the environmental license to proceed with the development of one of the largest known phosphate deposits. While OMEX is considering a wide range of potential outcomes of the NAFTA tribunal's decision, a monetary damages award would substantially improve its capital position, allowing it to fund internal growth and expansion, provide capital to support its current portfolio companies, and potentially add new projects to the portfolio, as well as potentially return capital to shareholders through a special dividend or share repurchases, depending on the size of the award. There may also be an opportunity for OMEX to proceed with or monetize its investment in the offshore phosphate resource in question depending on the outcome.
- **Cook Islands' EEZ progress continues.** OML, one of two license holders in the Cook Islands' EEZ that OMEX has an investment in, spent 2023 conducting substantial exploration and environmental sampling programs in its license area, fully mapping the resource using an OMEX-provided ROV and collecting five tonnes of polymetallic nodules. It is in the process of preparing a JORC compliant statement that would provide a more definitive resource valuation model, as well as the environmental data for the Cook Islands Seabed Minerals Authority as part of its exploration license. The statement is expected to be issued by the end of 2024 and would provide a more solid basis for valuing OML and OMEX's share of it.
- **Ocean mineral industry's acceptance growing.** With Norway, Japan, and China looking to begin ocean mineral exploration and the US government looking to develop domestic capabilities to process seafloor polymetallic nodules, the ocean mineral industry is finally getting positive media and policymakers' attention, and OMEX appears well positioned to grow with the industry to help the world obtain the materials it needs.

KEY STATISTICS

Ticker:Exchange	OMEX:NASDAQ
Current Price	\$4.90
52-Week Range	\$2.85-\$5.57
Average Volume (30-Day)	160,751
Shares Outstanding (MM)	20.4
Market Cap (\$MM)	\$100.1
Fiscal Year-End	December

PRICE PERFORMANCE



Right Time, Right Place

The Company

Odyssey Marine Exploration, Inc., together with its subsidiaries, is a deep-ocean exploration pioneer based in Tampa, FL, that provides access to critical mineral resources worldwide. The company uses innovative methods and cutting-edge technology to discover and validate seafloor mineral resources, and to develop subsea mineral deposits in an environmentally and socially responsible manner. Its growing project portfolio includes different mineral sets, including polymetallic nodules and phosphate resources in various economically and politically stable jurisdictions around the world. OMEX is currently focused on the Cook Islands polymetallic nodule exploration projects, as well as developing additional projects.

OMEX was founded in 1994 as an undersea discovery and archaeological excavation company, specializing in exploring, finding, and recovering cargo from sunk vessels and other scientific and historical sites. Over the years, the company found more shipwrecks than any other organization in the world, from Civil War-era treasure ships to a World War II-era silver-laden steamship to Punic vessels dating before the time of Christ and hundreds of other exciting ships. Shipwreck exploration is a high-risk, low-reward business model. Management evaluated the company's core competencies and realized that the real "treasures" to be found on the ocean floor are untapped resources and potential reserves of mineral resources that are in high demand by society. Specifically, the company focuses on polymetallic nodules, which contain all of the metals needed to facilitate the global transition to renewable energy, and phosphorus deposits, a critical component of fertilizer that will help feed the growing population. Consequently, OMEX pivoted from a shipwreck explorer to a mineral explorer and resource developer focused on discovering and commercializing mineral deposits that can produce solid financial returns for the company while also benefiting society and the global economy in the process.

With the SEC filing requirements completed after a delay necessitated by management's decision to change the treatment of litigation expense as a derivative instrument, rather than debt and subsequent need to restate certain financial statements, OMEX returned to compliance with its SEC obligations and is currently awaiting the publication of the NAFTA Tribunal's decision in its arbitration case against the United Mexican States, which is expected shortly. Depending on the decision and, in the event of a positive outcome, the size of the monetary award, OMEX should gain considerable latitude in capital deployment, which could include returning cash to shareholders, as well as accelerating investments in current projects and potentially adding new investments to the portfolio, using the company's proprietary Global Prospectivity database to screen for most promising investments.

The Market

As the world is attempting to transition from fossil-based energy and economy to one based on metals and renewable energy sources, two existential issues have arisen. First, in order to meet governments' aggressive decarbonization plans, the battery industry will require a step-change in the magnitude of critical metals needed to be mined and processed into battery materials, often requiring a 4-10x fold increase from current production levels. With much of the new and existing terrestrial metal resources being located in geopolitically problematic regions, such as the Democratic Republic of the Congo (DRC), Russia, and China, or in environmentally fragile areas such as Indonesia or the Andes, alternative resources are required. Second, as governments and industry are beginning to realize, 60-90% of metal refining into battery-grade materials, not to mention battery components and batteries themselves, are being done in China, making that country's ruling party a critical partner in the efforts to enable the transition to battery-based energy storage and vehicle powertrain, a precarious position, underscored by CCP's periodic decisions to curtail exports of rare earth minerals, critical to semiconductor manufacture as well as battery production and the latest curb on export of graphite, which makes up the anode part of the EV battery.

With industry participants looking for non-Chinese alternatives and with Canadian, US, and EU government programs designed to encourage domestication of EV battery supply chains, development of new resources and production capabilities outside of China's dominance take on added importance and are attracting the capital needed to develop these projects. While numerous terrestrial projects are being developed in Canada, Australia, LATAM and elsewhere, the efforts are often hampered by environmental concerns, community activists and the fact that many of the newer resources contain significantly lower concentrations of metals and minerals compared to previous discoveries and would be uneconomical to develop, if not for the significantly higher current metal prices compared to historical levels. Furthermore, with 70-80% of Earth's surface being covered by water, it is not surprising that 70-80% of metal and mineral deposits are also found on the ocean floor.

This is where OMEX and its decades of experience operating at great depths comes in. The company is actively putting together a portfolio of seabed mineral projects with deposits in stable jurisdictions with existing or developing mining codes and regulations that enable the exploration of the seabed resources in their respective EEZs. The Cook Islands project is an excellent example, as that country's government is actively working on improving its economy and its

citizens' livelihood, an effort recently rewarded with its [recognition by the US](#). As the relationship between the two countries improves, metals and minerals obtained in the Cook Islands' EEZ may one day become eligible for tax and consumer credits created by the Inflation Reduction Act (IRA), making for a more attractive and valuable resource when it comes to geopolitical considerations.

Our Insights

Opportunities

NAFTA case ruling may offer asymmetric risk/reward profile. Putting aside the possibility of an agreed settlement, which could also be a positive outcome for OMEX and whose chances have increased with the company's termination of a relationship with its former Mexican partner, an arbitration tribunal decision in favor of the Mexican government would still remove approximately \$52 million in liabilities related to litigation funding from the company's balance sheet and income statement. With the recent indication that a decision has been rendered and will be announced in 2Q24, or shortly thereafter, investors now have a more definitive timeframe for the outcome.

Plenty of potential milestones ahead. Given the rapid technological, political, and industry changes taking place in the mining industry in general and deep-sea exploration industry in particular, and given OMEX's active potential project pipeline, we see potential for positive market, industry, and company-specific news, developments, and events even as the company awaits the NAFTA arbitration ruling.

Obstacles

Potential arbitration loss. Despite having a portfolio of exploration projects with potential NPVs that can more than justify the current stock price, OMEX stock may react negatively if OMEX and ExO lose the NAFTA case or win but receive a small monetary award.

Liquidity and dilution. As with many small-cap mineral explorers and developers, existing projects may require OMEX-provided financing beyond the company's current means of satisfying, implying the need to raise external capital, or monetize portions of existing project ownerships, with neither being guaranteed and both options being potentially dilutive.

ABOUT THE EXECUTIVE



Mark D. Gordon
Chief Executive Officer
and Chairman of the
Board of Directors

Mark D. Gordon is an entrepreneur with a keen ability to build companies and lead them to realizing their true potential for success. He orchestrated Odyssey's pivot from shipwreck exploration to subsea mineral resources by recognizing the opportunity to apply Odyssey's core competencies in a more productive manner, selecting diverse and strategic key mineral resource targets for the Odyssey portfolio and securing the funding necessary for the company to achieve success in this new endeavor.

Mr. Gordon was appointed Chief Executive Officer of Odyssey Marine Exploration in 2014 and Chairman of the Board in 2019. Mr. Gordon also served as the company's President from 2007-2019 and on Odyssey's Board of Directors since January 2008. He joined Odyssey in 2005 as an independent consultant before serving as Director, Business Development and Executive Vice President of Sales and Business Development, where he was responsible for the Attraction, Business Development and Retail Merchandising operations for the Company.

Prior to joining Odyssey, Mr. Gordon started, owned or managed four different entrepreneurial ventures from 1987 to 2003, including Synergy Networks which he founded in 1993 and served as CEO until September of 2003 before selling the company to the Rockefeller Group. He continued serving as President of Rockefeller Group Technology Services Mid Atlantic (RGTSMA), a member of Rockefeller Group International, until December 2004. Past work experience also includes a two-year tenure as a Management Consultant at Arthur Andersen Consulting (now Accenture).

Mr. Gordon received a B.S./Business Administration in 1982 and an MBA in Finance in 1983 from the American University. As a shipwreck diver with the National Diving Center in Washington DC, he has conducted hundreds of dives and explorations on shipwrecks and was the first person to discover and dive on the wreck of the S.S. *Proteus*, a ship that had been missing since the early 1900s.

Mr. Gordon is also a board member for Marine Applied Research and Exploration, a non-profit focused on working collaboratively with state and federal agencies, academic institutions, and other NGOs, deploying a robotic fleet to explore and document deep-water ecosystems in support of their conservation and management.

EXECUTIVE DISCUSSION

Dmitry Silversteyn: Welcome to Water Tower Research's fireside chat. I'm your host Dmitry Silversteyn and I'm a Senior Analyst covering Chemicals and Materials Technology at Water Tower Research. Joining me today is Mark Gordon, Chairman and CEO of Odyssey Marine Exploration. The stock trades under the ticker OMEX. I would like to point out that the company's safe harbor statements can be found on its website. Welcome, Mark.

Mark Gordon: Thanks, Dmitry. Glad to be here with you.

Dmitry Silversteyn: Glad to have you here again. Thank you for joining us. A lot has happened with Odyssey Marine and the ocean mineral industry in general since we last spoke. Why don't we begin by catching up on the SEC filings of your 2023 10-K and 1Q24 10-Q, both of which were somewhat delayed in terms of filing deadlines. Can you briefly go over the reasons for the delay? What was involved in the restatement process and how investors should understand OMEX 2023 and 1Q24 results as a consequence of the restatements?

Mark Gordon: Great question. Odyssey celebrates its 30th year in business. For the first time in our history, we did have an issue with our financial statements that caused a delay, first of all, in filings, and then ultimately a decision by management and board to do a restatement. What I'll say about that is, look, being transparent and perfectly accountable is critical to us. We take this very seriously. When you look at the nature of what caused the restatement, the technical accounting issues, a specific example is the treatment of the litigation funding, which has been treated for four years now as debt. We reevaluated the accounting treatment while working with our new auditors and determined that it should be treated as a derivative liability. No real impacts on the company or finance, but to make it appropriately accounted for, it required restating prior periods. That's all done now. All the filings are up to date. We anticipate this is a one-time isolated event and has no impact on the business as a result of getting the technical accounting exactly correct under GAAP.

The second part of your question, I guess, you asked about what's going on. I think you were asking about 2023 and into 2024. Again, part of that, I guess I spoke to that we went back and reevaluated all of our accounting for 2022 and the first half of 2023 to ensure that it is accurate. But I didn't know if you also wanted to talk about some of the operational accomplishments in 2023, was that part of your question?

Dmitry Silversteyn: I think it's worthwhile. Let's start by talking about company performance and accomplishments over the last nine to 12 months, specifically about the company's capital position, and how your portfolio companies, particularly OML, are progressing in exploring and developing the deep-sea resources of polymetallic nodules located in Cook Islands EEZ. If you can touch on both of those, that would be helpful.

Mark Gordon: First, just to go back in time to look at accomplishments relative to the balance sheet last year, and then bringing it forward into your question, probably our biggest accomplishment was we took out \$32 million in debt in exchange for \$9 million in cash and 300,000 shares of OMEX, about \$1 million in stock at the time of pricing when that transaction was done. Probably as importantly as that balance sheet improvement was that we also took out potentially 17.5 million shares of future dilution from the securities purchase agreement we had in place that was tied to that debt package with our then Mexican partners.

We put in place a new debt package, \$14 million in debt. When you look at, I guess the combined total, in addition to eliminating the \$32 million in debt, we still had a net reduction of about \$17.5 million in debt when you consider the new \$14 million debt package. That was a major cleanup of the balance sheet, and it took out a transaction that could have been highly dilutive.

As we rolled into later in the year, I think the next major accomplishment was the investment we made, you asked about OML. OML is one of three license holders in the Cook Islands for polymetallic nodules, which contain battery metal minerals. We have an investment in a second company there as well. OML specifically has made some really significant progress this year on its project.

Just to recap Odyssey's position there, Odyssey currently holds about 6% of OML in exchange for having contributed one of our remotely operated vehicles that's aboard its vessel now doing some good exploration work, which we could talk about in a minute, the nature of the work they're doing. We have the ability through investing additional cash beyond that contribution of the ROV between the securities purchase agreement we have and options we have to acquire up to approximately 40% of that asset.

Do we want to get into talking about the operational, where OML is at the moment, or do you want to wait and talk about that later, now that I've talked about kind of the financial impact side of the transaction?

Dmitry Silversteyn: I think we will touch on that later, Mark. What I really wanted to get into with this question is the March refinancing and recapitalization that you've done, and you've also raised some capital in December 2023, if I'm not mistaken. Then, recently you announced the monetization of your shipwreck rights. Maybe you can provide more details around that. Where does your current cash position stand? How long do you expect your current cash to last in terms of timing before you need to raise new capital?

Mark Gordon: In December, as you point out, with a group of our largest investors, we added an additional \$6 million through debt financing. That was intended to carry us through the first quarter of 2024.

Then, the other part of your question that you mentioned, we had an influx of capital from a legacy shipwreck project in the beginning of May. That timing was good since we had previously raised capital to get us to about May. We brought in \$9.4 million. In terms of where that capital gets us, some of that capital will undoubtedly be allocated to repay debt. We have the maturity of debt coming up, so we'll reserve some for that, but that cash gets us through the third quarter.

Funding our business has been a timing game this year. I know we'll get into discussion of the NAFTA case at some point, I'm sure, today. But what we've been doing is making sure the company is funded appropriately to get through the outcome of that case because, obviously, with a favorable outcome, the ability to raise capital at better rates will be available to us. We've only wanted to raise capital to get us just through the outcome, and then think thoughtfully about how we recapitalize or appropriately fund the business for the long run going forward, if that makes sense.

Dmitry Silversteyn: It does, Mark. Thank you for that. Let's now talk about OML. The company has done a lot of work in 2023 and has some really good accomplishments to talk about. Can you also review what it's doing in 2024 and any milestones investors could look forward to as they look at the company and through that, look at OML in terms of trying to determine the value of the company?

Mark Gordon: In terms of what OML has accomplished in 2023 and leading into 2024, in 2023, it has done a massive exploration and environmental sampling program. That's critical for two things. One, what you're doing at this stage of a project is trying to build enough data to understand the value of the resource and whether it's economically viable to harvest. Then that will ultimately lead to, in the case of OML, a JORC compliant resource report. There are two standards, for anyone that invests in minerals, I'm probably telling them something they already know. But the JORC is the Australian Mining Standard. NI 43-101 is the Canadian Mining Standard. Essentially, in terms of why we as investors should care about this, that's an independent valuation of the resource. You can't get that independent valuation of the resource without providing exploration data to independent geologists to evaluate.

In a sense, it's the first step along the way of value creation in a mineral resource project to get that data. That's what OML has been focused on. It has totally mapped its whole license area in 2023. By the way, using the remotely operated vehicle that we contributed to get our equity stake was a big part of its ability to do this work. It has other sophisticated technology aboard its purpose-built vessel that's based in the Cook Islands doing the work.

In addition, it collected a 5-tonne sample of the polymetallic nodules from its Cook Islands license area, which is important, because in parallel, you want to start

working on the processing, because that's a big part of figuring out how economic this project's going to be. How do you turn the rocks into metal, essentially? All of that, again, will feed into this JORC compliant resource report, which I think we'll see getting to the second part of your question as we roll ahead here in 2024. I think it'll have that report up to date and will be in a position to publish it, which will give us and our investors a sense of what the value of this investment could be in the future.

As you look out further ahead, it needs to continue doing its environmental work and exploration work, and the environmental work is critical, and the results have to be submitted to the government regulatory authority, which is the Seabed Minerals Authority (SBMA) in the Cook Islands, in order for the Seabed Minerals Authority to determine whether it'll allow the next level of the project to continue, which we imagine would be trial harvesting. Again, that will give the ability for the agency that regulates this to really get an understanding of what the environmental impact is before it allows full production. Those are the steps ahead. OML is three years into a five-year exploration license right now, as is CIC, which is our second investment that we have in the Cook Islands. We have investments in two of the three license holders. CIC is also on a similar path. Those are two portfolio holdings of Odyssey's that are moving up the value curve, as we would say, along the lines of what I just described.

Dmitry Silversteyn: That's very helpful, Mark. Thank you for that. You alluded to this earlier, but one of the outstanding questions about Odyssey Marine is the state of your NAFTA case, as it relates to your phosphate resource in Mexico, whose development you feel was unlawfully blocked by the Mexican government, thus the case. Where do we stand on the resolution of that case, and any updates on the timing of that resolution?

Mark Gordon: There's breaking news this week. In fact, we had an 8-K out, Tuesday morning pre-market, letting the market and our investors know that we were just contacted Monday evening by the arbitration panel. The panel notified the parties in the NAFTA case that they had finished their work. We don't know the outcome yet of the case. They notified us that the ruling is being translated. We should know very shortly the outcome of this case. It's right in line with the timing the panel had predicted. It predicted that it would have this concluded within this quarter. I know we're nearing the end of the quarter, but it looks like it has made that deadline in making its determination.

Now, I don't know how long the translation will take. Does the actual reveal of those results move slightly into the next quarter because it doesn't get done in the next two weeks? It's possible. But I think this is good news because it's been a long road. This process has been underway for over five years now. The NAFTA case arbitration panel has been deliberating for more than a year-and-a-half at this point. We're about to get the outcome from that case, which is good.

Dmitry Silversteyn: That's great, Mark. Assuming the ruling is positive for you, in other words, you do get an award of some size, what are your top priorities from a governance and management perspective? What is the range of options that investors should consider of how you will be using that capital to strengthen OMEC? One of the things that we're hearing is some of the investors or observers of the company are concerned that when you get this award, you may just distribute the money and basically close the doors as a going concern. But I don't get the sense that that's really what you want to do.

Mark Gordon: Not at all. I'm sure we'll get more into this as we continue to talk today, but we think we're at the very beginning of what's going to be a major wave in this industry and Odyssey's super well positioned to take advantage. I don't want to go too far off on a tangent, so let's come back to that at some point because we have these current investments in the Cook Islands, and we have a portfolio of projects we've been evaluating for years now. I could get into a discussion if you want to about our Global Prospectivity database, but the punchline on that is we've got lots of projects that could be \$1 billion + assets that we'd like to start taking out of the ground.

Coming back to answering your question now, first of all, we just had our annual shareholder meeting this past Monday and board meetings associated with it. There was a lot of discussion with the board to make sure that capital allocation from any proceeds is done with an eye toward maximizing value for shareholders.

Now depending on the size, assuming that the panel agrees that Mexico had violated the NAFTA treaty in its treatment of us, and Odyssey therefore would win on the merits, then the panel turns to looking at what would this investment have been worth had it not been destroyed by the actions of the government, and it'll make a damages award on that basis. Depending on the size of that award and net proceeds to Odyssey, the first thing we would want to do is make sure we have good continuing operations because we do have these investments that are gaining value right now that we just spoke about earlier in the Cook Islands. We've got this portfolio behind it that could create tremendous value for investors.

We want to make sure we build the team. We would get the right personnel to add to our existing team to be able to take advantage of these opportunities in the market. We have some dollars we'd want to allocate for investment. I mentioned earlier that we have options to acquire almost up to 40% of OML, which could be a multi-billion-dollar asset once that moves into production. We'd want to be able to allocate for that. Beyond that, the return of capital to shareholders is going to be the most prudent thing to do once the company is positioned to continue to grow shareholder value through our existing and new projects.

On that front, the board is getting advice from expert advisors on what the best composition of return would be, I'm guessing that would be some combination of special dividend and potentially buyback of shares, depending on how the market reacts to whatever the outcome of NAFTA is.

I know that isn't a very definite answer other than to tell you, we're giving a lot of thought to being prudent and responsible with that money. There's only a certain amount of money we can justify hanging on to and continuing the operations and current investments and then the balance would be returned to shareholders.

I don't know if that answered your question the way you were hoping I would, but feel free to redirect me if you want.

Dmitry Silversteyn: I think you've done a really good job of summarizing. It sounds like there is a lot of optionality once you do get the funds, if you do get the funds. It really depends on the size of the award and also lifting the stigma, if you will, on your phosphate asset in Mexico. It also allows you to do something with that asset as well at the outcome of this decision.

Mark Gordon: If we have another minute on that, you just raised a really interesting point. Look, we never wanted to bring this NAFTA action against Mexico. We think that this project should be brought into production. It would greatly benefit Mexico. It desperately needs this resource to create fertilizer independence and to secure its food supply for its nation. Economically, it would make a lot of sense as well. Politically, it would make a lot of sense because having this resource in this part of the world, a world-class phosphate resource, makes so much sense. I think there may still be a way to make that happen, whether Odyssey is directly involved or not directly involved. I think, importantly, if what happens here is the NAFTA panel rules that we should have been awarded a license, effectively that Mexico didn't live up to its treaty obligations and didn't give us fair treatment, then, you can almost look at this and, say, well then what should have happened is this project should have been approved back in 2016. Eight years later, which is where we are today, this project would be in production. In production, in addition to providing all the benefits to Mexico, I just mentioned, it would have been a multi-billion-dollar asset that Odyssey currently owns 56%. I mean essentially a NAFTA ruling in Odyssey's favor would be a proxy to say, had the laws been followed and this project was in production, in addition to Mexico deriving a great deal of benefit, obviously you could do the math on what Odyssey's market cap should be here, which would be well in excess of its current market cap.

Dmitry Silversteyn: Well, thank you. That was really helpful because as I said, there's a lot of optionality here and ways for the company to generate value for the shareholders.

You mentioned the ocean mineral resource industry, where you are one of the leading proponents of and one of the leading companies in terms of being able to do the exploration. It's been a favorite target, if I can say that, of the environmental NGOs in the last several years. How has the perception of the industry changed recently, both in terms of government policy actions, as well as in terms of general public perception, as reflected in media commentary, which used to be uniformly negative, but now seems to acknowledge the fact that this is a viable path for the world to procure the metals that the economies of the world need to affect their transition away from fossil fuels?

Mark Gordon: It's crazy. I see the momentum really shifting positively just in the past few months. In the past two months, there was a 60-Minutes story on deep-sea mineral resources. You're getting mainstream, when something like that happens. Further, you're starting to see major publications, Wall Street Journal, New York Times, there's a lot of talk about this sort of inevitability that we have to go to the ocean for the resources we need.

I think the story arc is probably very similar to offshore oil & gas. Until the 1970s when there was a catalyst, we weren't really getting our oil & gas from the seafloor, but then it became, for the past five decades, the primary way we've gotten that natural resource needed by mankind. Similarly, now we have to go into the ocean for the minerals mankind needs. I think that the trend that you're starting to see is governments have been starting to announce several funding initiatives and political initiatives to support seafloor mining and processing for critical minerals that they are going to need. I think the Cook Islands has been doing for some time now a great job on the world stage of explaining how if you can responsibly harvest minerals, it's what should happen. We're starting to see Norway come online. We're starting to see all around the world governments get behind the idea. Again, it's got to be with great environmental controls and totally responsible harvesting. But I don't think it's any more a matter of whether it's going to happen, I think it's a matter of when it's going to happen.

My sense is we'll start to see work in the Clarion-Clipperton Zone (CCZ), which is regulated by the United Nations. It is close to finalizing its regulations. You're seeing companies like TMC getting close to being able to move their project into production. I don't know who will go first, the International Seabed Authority, the Cook Islands, Norway, but it's happening. I see the trend very much moving in support and favor of responsible harvesting of minerals from the seafloor.

To your point on that, we're super well positioned because we've been focused on this space for over a dozen years now, in addition to the investments we currently have in the portfolio projects that we could bring to market. We've developed an amazing set of skills to be able to secure the rights with governments and then to do the exploration. No matter what happens, the

ability to bring those skills we've developed to our own projects, but also to be available to help others in the industry. This industry is very synergistic. It's not a zero-sum game. We applaud what the other players are doing. We're learning from them, and we think we have value we can add to them. I think we're going to see it come together. I think 2024 and 2025 are going to be pivotal years and Odyssey is going to be really well positioned to take advantage of that.

Dmitry Silverstejn: I couldn't agree with you more. I think it's important you mentioned [TMC](#). It has done a lot of work in the CCZ in terms of environmental data collection. Now it's all getting published, and it's starting to dispel or replace some of the wild speculations that the NGOs have had out there about the potential environmental and ecological damage. Actually, it looks like it could be one of the most environmentally beneficial sites to mine in the deep-sea, in general.

Then you look at countries, even France, which has been openly vocal about a moratorium on deep-sea mining, but quietly, behind the scenes, it renewed its licenses with the ISA in the CCZ. Then you have China coming in, notifying the ISA that it is going to begin its collection and environmental work in their zones as well. There is a lot of momentum to get these regulations done. I think that will benefit the industry in general, including yourself.

Mark Gordon: One other thing, if I could, Dmitry, you just triggered another thought. It's important to understand the difference between the CCZ and EEZs. By the way, I have a tremendous amount of respect for TMC and the other companies out there, they're all really well operated and doing the right things. Odyssey's strategy has been counter to most of the others that are advanced right now in their operations in that we've exclusively focused on, I'm going to say exclusive twice now, exclusive economic zones, because we just think there's a great opportunity working with a single country partner to develop a resource for the benefit of that country. That's why we tried to do that in Mexico, and who knows maybe we still can do something with Mexico. We're doing that currently with the Cook Islands, and we're working with others.

To date, we haven't looked at doing a project in the area controlled by the International Seabed Authority, the Clarion-Clipperton Zone. I don't think there's anything wrong with it. We just have had a different approach, which has been to work with single governments in single exclusive economic zones. Candidly, it's hard enough to work with one government. It's a lot harder to work with 168, or however many you have to get to agree at the United Nations, right?

Dmitry Silverstejn: Absolutely. But as I think about it, Mark, given the expertise that OMEX possesses, and your approach to lending that expertise to your portfolio companies, governments having licenses in various areas is one thing, but getting a company to actually come in

and develop those resources is another. It sounds to me like Odyssey could be a valuable resource for a lot of companies, or a lot of countries even, who are looking to catch up to some of the first movers and actually get to these resources once the regulations are in place.

Mark Gordon: You're exactly right. We think about it the way you just did. In fact, we're at the point now where we're cataloging all of our various skills, there's an inventory of our skills, everything from how do you select an area from a geological and geopolitical standpoint? How do you then go get your rights? How do you then go and execute your environmental and exploration programs? How do you get it ultimately to a bankable feasibility study and into production? Odyssey has skills across that whole spectrum, which we can offer up not only for our investors' benefit to grow the value of our investments, but to other players in the industry. More importantly, we're really focused now on helping governments because we can share what we know practically to help other governments.

Right now, I'm just super impressed with what the Cook Islands have done. We've been engaged with them for over a dozen years. Odyssey is not a direct license holder, but we've been working around the edge. I think Odyssey can help other governments like the Cook Islands that have resources and want to try to understand how you bring your program literally from cradle to adulthood to responsibly harvest. We're going to be focusing on offering those services more directly later this year and into next year. In addition to our own projects, we're going to make our services available for governments and for other industry players.

Dmitry Silversteyn: That sounds very exciting, Mark. I'm looking forward to that development. Let's take some questions, if you will. One of them is, there's been some things written about the whole NAFTA process and other processes like that involving these big bad capitalists that are forcing developing nations to do something against their will. Would the victory by Odyssey in this NAFTA arbitration, could that be viewed as a tactic to bypass country regulations prohibiting ocean mineral resource exploration or other resource development type of work?

Mark Gordon: It's a good question. We've been harpooned in the media already with accusations that that's what Odyssey's doing. We're trying to force Mexico to do something they shouldn't have to, or don't want to do. That's not what these international treaty dispute arbitrations are about. It's about protecting investor rights. All that this NAFTA arbitration panel can do is opine on whether Mexico followed and lived up to its commitments under, in our case, the North American Free Trade Agreement. Did it accord fair treatment to Odyssey as a US investor in a project there. This panel can't force Mexico to do anything. The only thing it could do, is if they determined that Mexico didn't live up to its treaty obligations and didn't accord fair treatment, and that resulted in the destruction of the value of our investment, then it can make a damages award.

Again, back to the first part of your question, these international arbitration panels can't force a country to do anything. They could just determine whether it's lived up to its treaty obligations, and if it hasn't, there could be a financial damages penalty. We wish this never had happened. We tried for a long time with multiple administrations now in Mexico to resolve this without having to resort to this process, but then ultimately, we have to protect our investors' interests. We couldn't just walk away from a significant investment we had already made in an investment in that could have developed an asset that would have been valued in the billions of dollars. We had no choice but to do this.

The crazy thing is that our partner that would execute the dredging program has a wholly owned subsidiary in Mexico that's operated there for over 25 years, it's gotten well over 200 of the same environmental permits we needed. We would have been using the same people, the same tools, the same technology that's been approved hundreds of times in Mexican waters. In this case, instead of putting the sand that's dredged onto the beach, we would process it on land to get this valuable mineral. It's unfortunate that it really had to go down this route. It's been really destructive, obviously, to value for Odyssey having been engaged now, well gosh, we've been engaged in the project for over 12 years, but we've been engaged in this NAFTA litigation for over five years. Instead, we could have an asset that's up and running.

We're not trying to use legal mechanisms to force countries to do what they don't want to do. But we do have to protect our shareholders' interests. When an event like this occurs, we much prefer working like we are working very collaboratively for mutual benefit with governments like the Cook Island government, and those are the relationships we're looking for. Moving forward, we're not looking to spend time in court, we're looking to spend more time on the ocean figuring out how to solve mankind's needs for critical minerals.

Dmitry Silversteyn: That's a very good way of putting it, Mark. Thank you for that. Just one last question. You mentioned earlier the \$9 million-plus that you got from selling your shipwreck rights. It used to be the business that you were in. You recovered shipwrecks, and obviously, you've pivoted to ocean mineral exploration, and metal discoveries. Any more shipwrecks that you can look to monetize? Is that still an active business for you or is this the last page on that part of your past?

Mark Gordon: This is definitely a legacy project. At a personal level, I worked my way through college and business school as a shipwreck diver, so I love the shipwreck business. It just didn't work out, it wasn't practical, and we were forced to pivot, and we're glad we did. We think we're in a much more scalable and much better business as a result. But this was one of the legacy projects. When we spun off those assets back in December 2015, the shipwreck-related assets, part of the consideration paid back to us was sort of an ongoing royalty for certain projects that the company that acquired the assets might still pursue. This was the last one in the pipeline.

It was good because, as I said, timing was good, we didn't know exactly when or if we would get proceeds or what the outcome would be. But it was great to have this last hurrah occur when it did because it provided really necessary funding at a critical time for the business. But as much as I'd love to be in the shipwreck business, it's really not a viable business, especially for a public company, and so this is it. Don't expect any more shipwreck news out of Odyssey.

Dmitry Silversteyn: Understood. Well, Mark, this was a very informative session. Thank you very much for joining us. Perhaps as the last question, can you give a summary of what some of the important takeaways that people should be thinking about as they look to OMEX as an investment?

Mark Gordon: Certainly, there's this catalytic event that's about to play out any day now. That would be the outcome of the NAFTA case. Springing off that, assuming that it's a favorable outcome and that there's ultimately proceeds for Odyssey to deploy, which I'm hopeful for, we're very confident in the facts of our case, but you never know how things are going to work out in arbitration processes. Assuming there are proceeds, we have this really exciting business we touched on throughout this morning's talk, right? We have these existing projects that we could up our investment that could be multi-billion-dollar assets that we can own substantial pieces of. Then we have new projects we could keep bringing out. We can rinse, wash, and repeat. We could keep bringing projects through our proprietary process that helps us identify these projects. We've evaluated over 120 potential future projects, grading them one to four; one is being highly prospective from a geological perspective and great geopolitical environments. Sixty of the 120 are ranked one right now.

Each one of these could ultimately be valued in the billions of dollars of valuation. You only need a few of them for a small-cap company to have them to be a significant value-driver for investors. Investors should watch our news and watch the world news about how the trend we touched on earlier develops. It's inevitable that seafloor mining, just like oil & gas, will happen because the terrestrial sources are becoming exhausted, and mankind doesn't have any less need for minerals. I think that's key. I would say stay tuned.

Dmitry Silversteyn: I appreciate it, Mark. Thank you very much. We are looking forward to hosting you again. In the meantime, if you'd like to learn more about the company, please visit odysseymarine.com. If you'd like to learn more about Water Tower Research and the companies that we cover as well as view past the fireside chats and read the reports that we have on companies, please visit watertowerresearch.com.

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Thank you very much, Mark, for joining us.

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Senior Research Analyst

Prior to joining Water Tower Research, Dmitry Silversteyn built a strong sell-side franchise on Wall Street as an equity research analyst focusing on the specialty chemicals and materials industries.

Over his 20-plus-year career, Dmitry was the senior analyst at Buckingham Research, Longbow Research, where he was a founding member, and FTN Securities. Dmitry began his career in finance at Lehman Brothers, Salomon Smith Barney, and First Analysis where he was also involved in investment banking and venture capital activities. Dmitry has received several industry recognitions including being ranked "#2" stock picker in chemicals by Reuters and StarMine and "#2" stock analyst in chemicals by the Wall Street Journal Best on the Street survey.

Earlier in his career, Dmitry was a process and project engineer and manager at firms in the water treatment, battery manufacture and fluid handling industries and was an early user of six-sigma programs.

Dmitry holds a BS in Chemical Engineering from Illinois Institute of Technology and an MS in Finance from the ITT Stuart School of Business.

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