

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Initiating Research Coverage

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Endurance Exploration Group, Inc.



(OTC Stock Symbol: EXPL)

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Company Overview

Endurance Exploration Group, Inc. (“EXPL”) was incorporated in Nevada in 2006 as Tecton Corporation. In late December 2013, the Company wholly acquired Endurance Exploration Group, LLC and changed the name of the Company to **Endurance Exploration Group, Inc.** Endurance Exploration Group, LLC was formed in 2009 to research and develop feasibility methodologies to identify, acquire clear title to and ultimately salvage the cargos of shipwrecks.

Since the formation of their salvage business in 2009, the Company has achieved a number of the milestones they established at the time of that formation. For example, from the 10,000-foot view, estimates suggest that the world’s oceans hold the remains of over 3 million shipwrecks. Information regarding these disasters is housed in various databases around the world. Since its inception, the Company has identified and vetted approximately 125,000 wrecks from a number of these databases that it deems viable for further research. They have in turn narrowed that group to roughly 400 “high interest” targets. From their list of 400, the Company is currently focused on three primary targets and we believe they have developed extensive research files and are in various stages of securing access to as many as a dozen additional targets. Because of the initial work required to identify these potential targets we think this portfolio represents “value” for the Endurance shareholders beyond the potential salvage value of the three “visible” projects.

The Company’s most imminent project involves the salvage of a site they believe to be the remains of an American steam ship called *Pulaski*. The *Pulaski* sank thirty miles off the coast of North Carolina in 1838 when its boiler exploded setting the ship ablaze. Salvage operations on the Pulaski project are currently underway. We will address that in more detail further in this report.

The Company’s second most mature target nicknamed “Sailfish” is (was) a side-wheeled steamship we now know as the “*Connaught*”. The Connaught, which EXPL located in 2014, was lost in 1860 after encountering rough waters and (also) catching fire en route from Great Britain to the United States.

EXPL’s third target is code named “*Black Marlin*”, which was a late 1600’s merchant ship that sailed trade routes through the Indian Ocean. The ship sank when its English captain set it on fire rather than surrender it to other European enemies that attempted to commandeer the vessel.

As noted, the Company has identified additional targets beyond Pulaski, Connaught and Black Marlin. However, for the sake of valuation, some estimates of the aggregate potential salvage value of these three projects combined, are in the \$50 million to \$100 million range. The current market capitalization of the stock is \$8.5 million, although we submit, there is very little visibility with respect to the “potential salvage value” we reference.

We think most would agree, public shipwreck deals are not exactly commonplace. Clearly, that may be the result of the high-risk nature, and maybe more specifically, the lack of visibility in enterprises of this sort. We submit, there is plenty of risk in this story, but the Company has managed to mitigate some of those risks. For example, as we will illustrate, they have managed to strike some agreements that address some of the typical risks associated with the business, and, they have a team with considerable knowledge and experience in the space. Moreover, two of the current projects are in the salvage phase of the cycle. Frankly, the Company’s biggest hurdle (like many small companies) may be a lack of capital necessary to close the loop on the extensive research they have done to this point on three primary projects (one we will get some information from shortly) as well as perhaps a dozen or so additional “warm” targets. They are in the midst of trying to complete an equity transaction to address that deficiency.

Industry Overview

According to the United Nations Educational, Scientific and Cultural Organization (“UNESCO”), *“It is estimated that over 3 million undiscovered shipwrecks are spread across ocean floors around the planet. The Dictionary of Disasters at Sea lists for instance 12,542 sailing ships and war vessels lost at sea between 1824 and 1962 alone.”* To be sure, the pursuit of history and riches accumulated at the bottom of the oceans’ floors has created both opportunity as well as marked controversy amongst various entities seeking to identify and raise those treasures, and in many instances, those treasures hold potentially immense monetary riches as well as immeasurable cultural significance. For the sake of color, UNESCO provides the following: *“Many famous vessels have perished, inspiring books and films, including the Armada of Philip II of Spain, the Titanic, the fleet of Kublai Khan, the ships of Christopher Columbus, and the Spanish galleons that plied the seas between the Americas and Spain. Similarly, the remains of countless ancient buildings are now submerged underwater. While legends tell of the mysterious Atlantis, a genuine “Pompeii” has been discovered in the bay of Alexandria with the ruins of the famous Alexandria lighthouse known as the Pharos (the reputed Seventh Wonder of the World), as well as Cleopatra’s palace and numerous temples. Underwater relics also include numerous Neolithic villages found at the bottom of the Black Sea; part of ancient Carthage; Hindu temples of breathtaking beauty complementing the World Heritage site in Mahabalipuram, India; and Jamaica’s Port Royal, lost to the waves during an earthquake in 1692”.*

From a business perspective, the allure of searching out one of these sites and potentially discovering something is easy to understand. While nobody can peg the monetary value of the world’s sunken treasures with any reasonable degree of certainty, it’s probably safe to say that the tally is likely many billions of dollars. On the other hand, success involves a host of challenges and those challenges go well beyond those that are apparent on the face. As an example, if one spends any time looking over UNESCO’s site, it will become abundantly clear that their interests with respect to these discoveries lies in stark contrast to those of people seeking monetary profit from the gold, silver and other values hidden in the sea. To summarize, the ultimate disposition of the artifacts found in any successful recovery venture will include challenges from any number of interested parties, many with vastly different views as to how that “disposition” should occur. The narrative below attempts to illustrate some of those challenges as well as addressing the most obvious, which is identifying, discovering and raising a particular wreck in the first place.

- **The Business**

Finding a specific shipwreck is no easy or inexpensive task. To reiterate, the ages have likely produced literally millions of shipwrecks, but the identification and salvage of specifically sought vessels are rare. While perhaps a bit anecdotal, that alone implies the difficulties involved in locating a particular wreck. The process generally begins with research, which often entails scouring any available archives that might include things like manifests that might describe cargos as well as other historic records which may provide clues about specific routes or common trade lanes. Moreover, this information exists in various places across the globe, so gaining access to it is a bit more complex than visiting the local library. Once a target is identified, the physical search of trying to pinpoint the site of a wreck begins, which as one could imagine is tantamount to finding the proverbial “needle in the haystack”. That search includes divers, underwater vehicles, cameras and other applicable equipment, and in many instances limited search seasons dictated by weather.

The business side also includes a host of legal considerations. We will discuss that notion more fully below, but from the 10,000-foot view, international laws concerning the ownership/title of shipwreck cargo are complex. Many shipwrecks involve claims by other “interested parties”, including the surviving lineage of previous owners, insurance companies who may have insured (and paid out claims) against that cargo, sovereign entities with claims to items found within their own territorial waters and a host of others. As if researching and discovering a wreck

isn't difficult, time consuming and expensive enough, insuring good title to the property before it is even discovered may be the single most important step in any salvage venture.

Once a wreck is discovered and verified the process of getting it to the surface becomes the next hurdle. Here again, this process often requires specific recovery technology especially in sights found in deeper waters. Keep in mind human divers are not generally a practical salvage option beyond 200 feet if at all. As a result, in many instances the technology and expertise to address effective and scalable recovery requires the use of third party contractors, who are equipped to complete these types of projects and generally these enterprise's services are expensive. Further, the process is often time consuming (imagine trying to recover single silver coins with a mechanical arm attached to an underwater recovery vehicle 1000 feet below the surface). Like discovery, salvage efforts are often also complicated by seasonal and other general weather conditions. On the positive side, like most technology, underwater discovery and salvage equipment is becoming more sophisticated making recovery efforts more feasible and more efficient.

Lastly, once the "booty" is brought to the surface, the process of restoring, cataloging and ultimately selling/monetizing the recovery commences. That too is often also expensive and time consuming and may be complicated by the agreements reached with a fore mentioned interested parties. While we have seen instances where for example a single recovered coin has sold for well into six figures, liquidating recovered treasure is no simple task.

- **The Claim**

To reiterate, procuring clear or at least defined title to any wreck may be the single most important (and perhaps most overlooked) step in any salvage operation. Perhaps the most infamous illustration of this notion is the case of U.S. based and publicly traded Odyssey Marine Exploration ("OMEX").

In 2007 OMEX discovered the wreck of the Nuestra Señora de las Mercedes a Spanish warship which sank off the coast of Portugal in 1804. Among other artifacts, the company recovered over 500,000 coins (largely silver) from the galleon and the wreck was "valued" at a stunning \$500 million. However, in 2012 Odyssey was required to turn the entire cache over to the Spanish government after a litany of court battles. While the entire ordeal was rife with discussion of government dealings and tilted decisions, including a last-minute effort by the government of Portugal to assert its own claim, the retrospective consensus was that OMEX did not protect itself enough prior to the recovery to ultimately assert its claim(s). That may or may not have included efforts to negotiate a split of the recovery with the Spanish government prior to the excavation, but in any event, the outcome of the discovery of the Mercedes serves as a stark reminder to the salvage industry (and its investors) of the risks associated with not properly cementing legal rights prior to spending millions of dollars getting to the end game. For a variety of reasons, sovereign governments represent formidable foes with deep pockets and considerable influence in fighting over these types of discoveries, and a failure to negotiate outcomes prior creates marked risks for companies seeking to profit from their efforts. As a result, one of the first considerations of any investor looking at a salvage investment should be the target investment's efforts with respect to their ultimate rights to whatever they might find.

- **The Culture**

As we alluded to above with respect to UNESCO, there is considerable conflict between many salvage enterprises and archeology and other historic preservation organizations like UNESCO. In short, the latter tend to view these discoveries as invaluable historical links between past civilizations and cultures, which provide invaluable insights into the same. As a result, they tend to view these discoveries as treasures of the world community that should not be allowed to be exploited for profit.

Our sense is that the public perception of the view that these recoveries hold cultural and historic values that transcend the profit motive is considerable. For example, the Spanish government has argued that it has no position

on the value of the items recovered from the Mercedes because it considers the finds as *invaluable* from a historic perspective. We are not sure we buy into that purely altruistic response largely because (hypothetically) we don't think the Spaniards would have exerted the same efforts to recover 500,000 broken rum bottles, but we do think that governments in general respond to the line. For governments that view is (to use an overused term) "politically correct". We also believe that those on the history and cultural value side of the argument attempt to insert legislative pressure and other means to ensure that recoveries end up on their side of the ledger. As an example, (again according to UNESCO) "*Between 1993 and 1995, Portuguese legislation allowed the sale of artefacts from underwater archaeological excavations. At least six international treasure salvaging companies set up operations in Portugal to exploit the rich underwater cultural heritage along its coasts. The relevant Portuguese legislation was frozen in 1995 and repealed in 1997, bringing about a revival of scientific underwater archaeology. In 2006, Portugal ratified UNESCO's 2001 Convention to strengthen the protection of its underwater cultural heritage and cooperate effectively with other States in the region*". Again, these represent challenges to the industry that impact both the process as well as the outcomes of salvage endeavors.

Of course, the salvage industry would argue that without their efforts (and capital) many of the wrecks would simply never be discovered and recovered at all. While we would submit that there are certainly notable efforts to discover and raise many of these wrecks through not-for-profit endeavors, we think it is a defensible position that the for-profit salvage industry has indeed played a marked role in shipwreck recovery. Frankly, if all parties are being honest, we think they would probably all agree with that, albeit to varying degrees.

To summarize, reiterating what we noted above, the risks and complexities of the salvage business go beyond those that are apparent on the face; find a wreck, recover the wreck sell what gets to the surface. The issues surrounding ownership are at least as important as the ability to find it in the first place. We believe that Endurance is abundantly aware of these risks and has adopted procedures to mitigate them.

Project Overview

As we noted, the Company includes a handful of employees/principals and other affiliated individuals who have extensive backgrounds in the identification and salvage of shipwrecks. We think that is clearly a positive attribute of the Company especially given its modest capitalization. With that said, we submit, the notion of searching for shipwrecks and sunken treasure is on the face a bit ... "Disneyesque" and again, from a "reality" standpoint, is at best like finding a needle in a haystack (or as the Company has described it, "finding a needle in a football field"). However, as we have seen many times, innovative and persistent people/organizations figure out ways to address and solve complex business challenges. We don't think finding and raising sunken ships is any different. However, those solutions need to include thoughtful protocols and processes aimed at identifying and managing those challenges. In that regard, the Company has developed a project research guideline that we think is worth sharing because we think it reflects that the "thoughtful protocol" we mentioned, and more practically we think it demonstrates that the Company's approach is not a "seat-of-the-pants" endeavor one might imagine when they hear the term "treasure hunters". Here is a brief overview of EXPL's research guidelines that lead them (exhaustively) to specific targets. Notice, these guidelines mesh with several of the industry "issues" we noted above.

- ***Known Cargo of Value.*** *Based upon the historical and archival records, an Operational Target ("OT") must contain a quantifiable cargo of value. While the historical records may not provide our researchers with an exact present-day value of a potential cargo, we must be able to determine a quantifiable "range" of its estimated value based upon cargo manifests or other archival documents.*
- ***Known Navigational Data.*** *Our research must provide information that would allow us to establish a geographically definable search and sinking location and, subsequently, an economically feasible search area for any potential target.*

- **Legal Salvage and Clear Path to Title.** Admiralty law, salvage law, and various sovereign nation's laws and regulations concerning the search and salvage of historical and modern shipwrecks are complex. Prior to pursuing an OT, we must be able to establish a clear legal path to the title of any potential recovery, and search and recovery must be made in compliance with international laws and regulations or under specific country permissions.
- **Potential Returns Exceed Risk-Adjusted Cost of Search and Recovery.** Prior to moving a shipwreck from our Target List to an Operational Target, we evaluate a large number of factors to determine the potential search and recovery costs, and the risks associated with such search and recovery. Items considered include: a targets location and likely depth, its location from the nearest operational port, the complexity and costs of potential search and salvage, legal issues to title, and many other factors; and, we develop an initial search plan and budget for each potential project. We recognize the high risk, yet potentially high rewards, of our business; and, we realize that we will not be successful finding or salvaging every project we undertake. Therefore, prior to moving any project onto the "Operational Target" list, we take a risk-adjusted approach to the potential returns that a project can provide; and we determine if, on a risk-adjusted basis, the potential target is economically feasible and appropriate to add to our portfolio of "Operational Targets".

Below are the three most "visible" OT's Endurance has identified, disclosed and discussed on some level:

- **Pulaski**

The Company's most imminent project involves the salvage of a site they believe to be the remains of an American steam ship called **Pulaski**. The Pulaski was built by the Savannah and Charleston Steam Packet Company to provide passenger and freight services between Savannah, Georgia and Baltimore, Maryland. The ship left Savannah on June 13, 1838 stopped in Charleston, South Carolina to pick up 65 passengers then headed towards Baltimore. In the late hours of that evening, about 30 miles from the South Carolina coast, one of the Pulaski's boilers exploded splitting the vessel in two. Nearly 2/3rds of the ships roughly 160 passengers perished in the disaster. (Some reports say there were closer to 200-250 passengers, which might add to the potential value of specie on board).

An independent report by maritime researcher Robert Stenuit, notes the following regarding the Pulaski; "*she contained privately owned specie and jewelry. There are rumors of a bullion consignment but these have not been verified at this stage. The loss in banknotes and specie was estimated at the time at at least \$150,000 and the loss in watches and jewelry at upwards of \$10,000. Based on an 80% recovery of the specie (estimated at 1/2 half of the total amount) and a 90% share for salvors, the recovered value before cost in today's dollars can be estimated at approximately \$28,000,000.*" Incidentally, that number is approximately double the amount we have discussed with the Company in terms of their own expectations of possible recoveries, but the point is, the wreck is in relatively shallow water, in reasonable proximity to the coast line, and therefore, once verified, may be easier to recover than many other sites that have been discovered and raised through the years. Moreover, *this particular project* represents an aspect of EXPL's model that is worth noting.

Endurance's participation in the Pulaski Project came about as a result of an agreement they signed in early 2017. That agreement is with an enterprise called Deep Blue Exploration LLC (d/b/a/ "Marex") and its principal Herbert Humphreys. It is worth noting, Mr. Humphreys, Marex et al. have been involved in the discovery and/or recovery of several notable wrecks over the years. The following link provides some color on Deep Blue Exploration LLC: <https://repeatingislands.com/2012/03/25/treasure-hunter-herbert-humphreys-finds-gold-laden-steamship/>. Generally, the agreement called for Marex and Endurance (through a wholly owned entity) to split 50/50 any net recovered assets from the Pulaski.

However, the agreement includes a provision whereby Endurance would be charged with the recovery efforts and as such would be entitled to recover 200% of its associated costs prior to the 50/50 split becoming applicable.

In conjunction with the above agreement, in July (2017) Endurance completed a joint venture arrangement with Blue Water Ventures International (<http://www.bwvint.com/shipwreck-recovery-to-commence-in-august-2/>) whereby, Endurance effectively transferred 50% of *its* interest in the Pulaski recovery as well as its 200% expense reimbursement, in exchange for Blue Water essentially taking over the recovery function of the project. To summarize, Endurance now holds a 25% interest in the recovery of the Pulaski. Recognize, Endurance (outside of some of its own research activities regarding the wreck) has not provided significant resources of its own to retain that 25%. Rather, the Company has earned a portion of the project by bringing together and managing the critical pieces (players) necessary to identify, permit and potentially salvage the wreckage/assets.

As an adjunct to the above, as we understand it, Endurance has other similar arrangements with Deep Blue/Marex with respect to perhaps as many as a dozen additional projects of this manner, whereby Endurance will provide some additional management and research expertise as well as procuring third party salvage arrangements to advance those projects they deem to be the most promising. In that regard, we think this may provide additional opportunities for Endurance to participate with meaningful positions in future projects with relatively small capital/expense contributions of their own. At this point in their development, we view that as a favorable posture.

While recent hurricane activity has prohibited the Company's salvage partner, Blue Water Ventures International from engaging the site over the past few weeks (when it might normally have done so), we believe they are currently engaged in salvage efforts, which they will likely continue for a short window (perhaps the next handful of weeks) as weather permits. That said, we expect to hear at least some relevant news regarding this endeavor in the near term.

- **Connaught**

The Company's second project previously nicknamed "Sailfish" is (was) a side-wheeled steamship called the "Connaught". The Company located the wreck in 2014 (before it made its Pulaski deal so technically this is their "first" project.) As we will delineate, Endurance has spent considerable resources getting this specific site to the point of salvage and that has included some challenges along the way.

The following narrative from www.cdiver.net provides some interesting color on the Connaught:

Built in Ireland and launched in 1860, the 380-foot iron-hulled side-wheel steamer S.S. Connaught was lauded as one of the largest and most luxurious ocean-going liners in service, a true Titanic of her time. Upon sinking on only her second voyage, the S.S. Connaught became best known for her tragic role in what has been called one of the most courageous and daring rescues in maritime history.

The elegant S.S. Connaught departed Galway, Ireland on September 25, 1860, bound for Boston by way of St. John's, Newfoundland. She departed for the final leg to Boston with 50 first-class passengers, 417 in steerage and a full crew of 125. In addition, she was quietly loaded with £10,000 in gold coins, possibly bound for a visiting member of the British royal family.

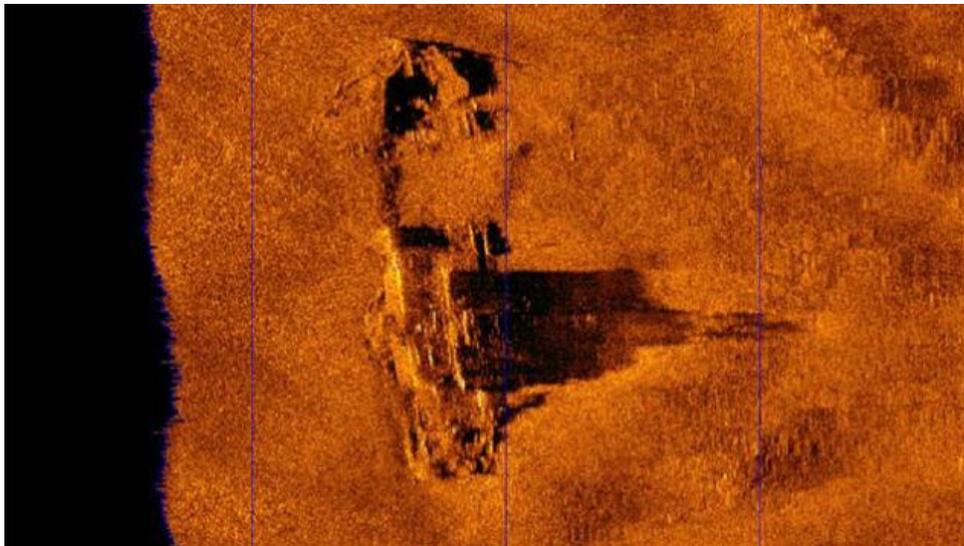
Her routine voyage became perilous when she sprang a leak in a sudden storm, forcing passengers and crew alike to join forces in an effort to save her. Though the leak was brought under control, the doomed ship soon faced a far more dangerous adversary—a fire below her decks.

Smoke and flames drove passengers and crew alike to the top deck, building in strength so quickly that none of the gold cargo or valuable passenger belongings could be saved. Lifeboats were ordered lowered, but they were smashed by the violent waves.

Disaster seemed all but certain—until a tiny fruit transport sailed to intercept the burning ship. By this time the S.S. Connaught’s hulls were so hot they boiled the waves as they crashed against her. Heroism abounded as a line was thrown across decks, transferring women and children first, then the male passengers and crew. There were soon so many people on the tiny fruit transport that they stood on every available patch of deck, some even clinging to the tall masts and rigging.

The Captain of the S.S. Connaught was bound by tradition to leave last. Soon after he departed, both rescuers and rescued watched as the S.S. Connaught disappeared beneath the waves, over one hundred miles from the nearest land. It was a long and trying night, but every soul was safely delivered to Boston’s India Wharf the following day. Nearly 600 souls had been transferred from one of the largest ocean liners of the time to a tiny fruit transport without a single loss of life.

As we noted, the Company was launched in 2009 based on a four-pronged internal research process aimed at identifying “high interest” targets. We think it is fair to assume that the Connaught (all things considered) was the most attractive of those identified projects. As a result, in 2013 Endurance launched a sonar search of the assumed wreckage area that included approximately 700 square miles. The sonar endeavors yielded promising results like outline below, which included images reflecting the Connaught’s distinctive side-wheel paddle:



As a result of their sonar discoveries, in September 2014, the Company sent an ROV to the wreckage site hoping to salvage some artifacts that might further indicate that the wreck was in fact the remains of the Connaught. As a result of *that* expedition, the Company recovered a piece of dishware stamped with the logo of the Atlantic Royal Mail Steam Navigation Company (owner of the Connaught):



As the Company notes and we tend to agree with, the discovery of those few artifacts from the 2014 efforts validated the identity of the Connaught, but also perhaps more importantly, the Company’s process in being able to research, identify and locate one of their “high interest” targets.

Following their 2013 and 2014 revelations, during the 2015 salvage season, Endurance commissioned a more robust ROV to begin larger scale salvage operations. Unfortunately, the larger ROV encountered some challenges that did not show up on sonar and that the original ROV expedition did not fully reveal. Specifically, the wreckage was entangled by a web of large commercial fishing nets that would have to be removed before any measurable recovery efforts could commence. Moreover, the nets could not be cut loose or otherwise easily removed, which sent the Endurance team back to the drawing board.

The “drawing board” started with a group out of Maryland called the Eclipse Group. Eclipse and its principal, Steve St. Amour have experienced a number of deep sea location and salvage successes. Eclipse’s plan for dealing with the Connaught’s entangled web of nets is pictured below (along with Endurance CEO Micah Eldred). The plan is to attach the claws to a crane/winch and lower it 900 feet below the sea and to grab the nets and remove them from the wreckage. Again, deploying the new apparatus and ultimately resuming recovery efforts are now predicated on the Company’s ability raise the capital to do so. Incidentally, since Endurance’s engagement with Eclipse, Mr. St. Amour has also become a director of Endurance. Mr. St. Amour has extensive experience in the design, engineering, development and operation of robust underwater ROV systems, which will obviously be valuable to Endurance’s future recovery efforts.



As an adjunct to the above, in July 2015, US Federal Courts granted EXPL exclusive salvage rights to the Connaught paving the way for full scale recovery efforts. The Company estimates that the cost of recovery on the Connaught will be between \$1 million and \$1.5 million. Our expectation is that the actual number could differ significantly if they encounter additional obstacles.

The Company believes that Connaught's recovery value could range between \$10-\$15 million. We tend to believe that valuation may be associated solely with the "*£10,000 in gold coins*" noted on the manifest. As suggested above with the Pulaski valuation, the personal "specie" lost by passengers could also be substantial. Keep in mind, many of the wealthier passengers on board the Connaught (it was a *luxury* option at the time) traveled to destinations for measurable periods of time so it was not uncommon for them to bring considerable monetary sums with them, not to mention other valuable personal items. Recall, the Connaught carried 4 times more passengers than the Pulaski. Moreover, as we have seen in other discoveries, sometimes individual pieces can involve marked numismatic values. For example, we believe just two of the coins taken from the wreckage of the SS North Carolina (a project sometimes compared to the Pulsaki) sold collectively for *US\$420,000*. Further, as we recall, Odyssey Marine sold a single coin from the SS Republic for over \$500,000. That said, we submit, nobody really knows the Connaught's salvage value. However, setting the actual amount aside, a successful recovery even approaching a \$10 million threshold would represent a watershed event for the Company. In addition to validating the business plan as noted, it would provide them the capital to pursue other identified (and potentially larger) projects.

- **Black Marlin**

EXPL's third target is called the Black Marlin. The late 1600's, was a period of robust shipping activity between the Silver mines of South America, to Europe, Asia and points in between. Silver was a relatively common part of the cargo on these vessels because it was the preferred medium of exchange for Asian traders who provided a myriad of goods to European markets. As one might imagine, the Indian Ocean was rife with "enterprises" trying to steal these cargos. While the Black Marlin was "*an English East Indiaman, more than 700 tons, three decks high and armed with many cannons*", it was attacked and disabled by European assailants and the vessel's captain chose to burn and sink the ship rather than turn it over to the attackers. It is believed to have carried a large cargo of Spanish silver. The Company has negotiated title and sharing arrangements with applicable governments, as the wreckage is only 12 nautical miles from land and they believe is 500 to 3000 meters below the surface. As they stand today, those arrangements call for a 75% split to Endurance after applicable post recovery expenses with the remaining 25% going to a "*sovereign government of an island nation in the Indian Ocean*". Obviously EXPL has determined that this particular government may have a claim to the wreckage. Recognize, the Company's original agreement with the applicable "*island nation*" has since expired. As we understand it, the Company is in the process of renewing that agreement. Our assumption is that it will entail similar terms as the original agreement. The Company believes that the recovery value of the Black Marlin *could be* in the \$50 million range.

Much like the status of Connaught, EXPL's ability to advance the Black Marlin project will hinge on their ability to raise the capital required to commence salvage operations. Here again, while the Company likely has some estimates in mind as to the extent of those costs, those probably cannot be accurately determined at this point. Our sense is that if they achieve some success raising the Pulaski and/or the Connaught, their options in terms of the financing, joint venturing or other arrangement regarding the Black Marlin will likely be expanded.

Risk and Caveats

We have provided microcap analysis for nearly three decades, and sometimes the risks associated with particular stories are more obvious than with others. In the case of Endurance, some of the risks associated with trying to

find sunken treasure are likely clear to most reasonably astute investors. To reiterate a point made above, there are thousands of shipwrecks out there but only a small portion have been located which we think tends to support the notion that they are not particularly easy to find. Moreover, simply locating a wreck is only part of the battle. Sometimes cargos are too deep to salvage with any measurable success, sometimes the ship breaks apart and is strewn for miles across the ocean floor...the challenges can be endless, but again, these are risks that most investors can recognize on the face. On the other hand, the industry faces a number of additional challenges that might actually raise the risk profile beyond than the obvious pitfalls.

As we discussed, there are many individuals and organizations who are directly at odds with the salvage industry, and many of those have the attention of governments and other jurisdictions with respect to limiting the for-profit salvage of shipwrecks. However, inasmuch as these risks are clearly topical, they can be mitigated by identifying any potential claimants to the discoveries and negotiating well defined splits of whatever is salvaged prior to spending time, money and other resources raising the asset. That is not to say that these risks can be eliminated entirely, but they can be mitigated. In our view, investors considering salvage investments should pay particular attention to this issue.

Endurance is a small company with limited resources. Finding shipwrecks and getting their cargos to the surface are generally very expensive propositions. We submit, those two notions don't bode particularly well for Endurance. With that said, we also think the industry as a whole has experienced a bit of a learning curve and is also benefitting from advances in technology that make at least some portions of the process more efficient and cost effective. Moreover, because of increased activity in the industry in general, some specialization has occurred along the way which is helpful to players with limited resources. That is, if a small player can hire a salvage contractor to complete that leg of the process rather than having to put up capex to buy and operate their own salvage equipment, they may be able to complete a successful operation in spite of limited resources. We are not suggesting that Endurance's lack of capital is not a significant risk, but it may not be the deal killer that some might otherwise suggest. The company just recently filed a registration statement for the sale of up to 20 million units at \$.15 (1 common and 1 warrant at \$.35), which if fully sold would provide them the capital to recover the Connaught as well as significant remaining capital to perhaps commence recovery efforts on the Black Marlin as well. Incidentally, we think the minimum on the offering (7 million shares; \$1.05 million) would probably provide for the salvage of the Connaught alone). Barring something (really) positive from the current Pulaski salvage, their success with respect to this offering will be paramount to their recovery efforts.

Like many microcap stocks, Endurance is predominantly illiquid and that might be an issue well into the foreseeable future. Investors should always consider the potentially negative impact of illiquid assets on their portfolio(s).

Also like many small companies, Endurance is a small operation that depends on the efforts and expertise of a *small* handful of people. Among other things, the success of the company may be dependent on its ability to keep these individuals on the team. The departure of key players is a marked risk in the story.

As noted, the Company has worked tirelessly to identify the three current targets, and their "best guess" conclusions from those efforts suggest that these three projects have the *potential* to yield recovery values of between \$50 million and \$100 million. The fact is *no one really knows for sure* how much of anything was actually on these vessels. Moreover, even if these vessels did go down with their associated fortunes, there is no guarantee that Endurance and its partners will be able to recover it, even if they know where the wreck is at. One need look no further than the mass of tangled fishing nets surrounding the Connaught to recognize that risk and the possible challenges that await.

These are just a few of the more topical risks in the story. There are likely several others that we have either missed or will evolve as the story moves forward.

Summary and Conclusion

We must confess; we love shipwreck deals. There is something about the industry that goes beyond the investment thesis. That is, they are fun to own regardless of the associated risks. On the other hand, Odyssey Marine made many investors a great deal of money until their unfortunate run with the Spanish government. They also proved the business model (at least part of it) in that they did in fact successfully identify, develop and recover high value shipwreck targets.

We followed (and owned) Odyssey through a good portion of its search and discovery of the Mercedes. Early on, the stock was quite attractive, however, as the stock began to gather momentum around the prospects of success first with the Republic and second the Mercedes) the market cap expanded markedly and the value began to become more and more speculative. Endurance reminds us a bit of the Odyssey story before anyone had really “discovered” it. Put another way, Endurance’s modest market cap (under \$10 million) relative to the potential value they might derive from success in the current projects leaves a considerable amount of room for potential upside. Clearly, their ability to attract the capital to complete their first project, will remain topical. To that point, we would view the completion of the current equity raise as highly positive event. We would add, with recovery efforts on the Pulaski currently underway, there is potential for an upside surprise that could provide some additional resources as well (not to mention a potential catalyst for the stock.)

Endurance’s management team includes individuals with considerable industry experience in all aspects of the business. We think that is likely paramount to the success of Endurance and salvage players in general. That certainly won’t guarantee success but it may go a long way towards mitigating issues that might insure their failure.

In spite of their modest market cap, and relatively modest retained earnings deficit (about \$7 million, which for the sake of simplicity we will call their capex to this point) they actually have a great deal of heavy lifting behind them. It’s not as if they are still in the research room trying to identify potential targets. Granted, it remains to be seen what the quantity and resulting value of those assets might be, but again, a number of typical challenges are in the rear-view mirror. Moreover, that may put them at the precipice of fundamental catalysts that could drive the valuation of the underlying stock.

We are initiating coverage of Endurance Exploration Group, Inc. with an allocation of 3 and a 12-24 month price target of \$.29. Our allocation is a tick lower than we typically initiate names at, however since the current market price of the stock is \$.18 (although it is quite illiquid), it represents a premium to the \$.15 **unit deal** the Company is currently selling. To translate, the stock may see some arbitrage pressure as they begin marketing the offering in earnest, so we will save some dry powder and perhaps increase the allocation on weakness in that event.

We will revisit each of these conclusions, for better or worse, as project, salvage and financing visibility improve.

Valuation Matrix

While many of the stocks we cover lack visibility, the nature of its business makes that especially true for Endurance. That being the case our traditional approach of trying to develop a projected operating model and then applying appropriate DCF analysis and associated risk adjusted discounts, is like trying to paint the house with a one-inch brush. That is, broad strokes may make more sense at this point. As a result, we have come up with the following valuation matrix, which is something we often use with some of the pre-revenue early stage private companies we profile. Given the lack of visibility, and the wide variability between potential outcomes, the matrix provides our various valuation assumptions based on an array of those potential outcomes. In this case, we have assumed a number of discount rates (the X-axis) against a number of assumed net recovery values of the 3 existing projects (Y-Axis). The recovery values are reflected in order (Pulaski, Connaught and Black Marlin) by assumed recovery amount (in millions of dollars). For example, a notation of “1/10/20” would indicate an assumed net recovery to Endurance of \$1 million from the Pulaski, \$10 million from the Connaught and \$20 million from the Black Marlin. In terms of discounted cash flow, we have assumed a 3-year monetization of each recovery. We have applied some corporate overhead against the DCF and we have included some value for the additional project portfolio the Company currently holds. In the case of the portfolio, we have assumed increasing portfolio values at higher project recovery assumptions under the theory that greater recovery amounts would imply greater validation of the company’s approach and as such better probabilities of additional recoveries from the portfolio.

We have highlighted some valuations that we are the most comfortable with in terms of potential recoveries. Conceptually, because of some of the identified cargoes on the Connaught and Black Marlin, we tend to feel more comfortable with estimated valuation around those projects than perhaps the Pulaski. On the other hand, keep in mind, information about the Pulaski is the most imminent, so we may get some near-term visibility that may change that view. We also view higher discount rates as appropriate given the risks and lack of visibility we have addressed. However, we used smaller discount rates for some of the iterations under the notion that early success on the Pulaski and perhaps further out the Connaught would lower the risk profile and dictate the lower risk premiums. Notice, we included a highlight in orange that assumes moderate collective success on Pulaski and Connaught but zero success on Black Marlin. This iteration supposes that the Company runs into a problem getting their Black Marlin salvage agreement with the applicable sovereign nation renewed. We don’t think that is likely, but the orange highlight addresses that risk. Lastly, the highlighted iterations on the bottom row assume something close to “best-case-scenarios” in terms of the potential recoveries the Company has estimated. Clearly, the valuation is quite open-ended ended in terms of aggressive assumptions of that nature, reflecting prices that would be several multiples of the Company’s current unit offering price.

Obviously, the matrix and its assumptions are a very fluid exercise.

Endurance Exploration Valuation Matrix							
By Trickle Research LLC							
Projected Market Capitalization							
Assumed Discount Rate	30%	25%	20%	15%	12%	10%	
Recovery Assumptions							
1 / 1 / 0	\$ 2,884,615	\$ 3,000,000	\$ 3,125,000	\$ 3,260,870	\$ 3,348,214	\$ 3,409,091	
2 / 2 / 0	\$ 3,251,403	\$ 3,392,000	\$ 3,545,525	\$ 3,713,871	\$ 3,822,924	\$ 3,899,324	
2 / 2 / 2	\$ 3,850,364	\$ 4,051,360	\$ 4,276,106	\$ 4,529,163	\$ 4,696,932	\$ 4,816,321	
0 / 0 / 5	\$ 3,944,171	\$ 4,178,747	\$ 4,447,070	\$ 4,757,094	\$ 4,967,369	\$ 5,119,350	
2 / 0 / 5	\$ 4,116,186	\$ 4,364,080	\$ 4,647,687	\$ 4,975,375	\$ 5,197,607	\$ 5,358,206	
4 / 0 / 5	\$ 4,288,201	\$ 4,549,413	\$ 4,848,305	\$ 5,193,657	\$ 5,427,844	\$ 5,597,061	
5 / 5 / 0	\$ 5,137,804	\$ 5,451,200	\$ 5,805,363	\$ 6,208,520	\$ 6,478,180	\$ 6,671,163	
4 / 4 / 4	\$ 5,805,680	\$ 6,203,669	\$ 6,660,601	\$ 7,189,852	\$ 7,549,167	\$ 7,808,881	
5 / 0 / 10	\$ 6,163,383	\$ 6,645,467	\$ 7,210,434	\$ 7,879,636	\$ 8,342,694	\$ 8,681,646	
1 / 5 / 5	\$ 6,251,046	\$ 6,706,747	\$ 7,233,528	\$ 7,848,158	\$ 8,267,993	\$ 8,572,666	
8 / 0 / 10	\$ 6,648,230	\$ 7,163,467	\$ 7,765,989	\$ 8,478,010	\$ 8,969,725	\$ 9,329,185	
5 / 5 / 5	\$ 6,792,315	\$ 7,290,747	\$ 7,866,244	\$ 8,536,770	\$ 8,994,198	\$ 9,325,859	
4 / 8 / 8	\$ 7,237,019	\$ 7,806,379	\$ 8,470,057	\$ 9,251,323	\$ 9,788,952	\$ 10,181,007	
5 / 10 / 0	\$ 7,605,221	\$ 8,153,200	\$ 8,780,864	\$ 9,505,503	\$ 9,995,849	\$ 10,349,404	
1 / 8 / 8	\$ 8,805,001	\$ 9,529,979	\$ 10,375,922	\$ 11,372,452	\$ 12,058,433	\$ 12,558,705	
8 / 12 / 0	\$ 9,126,344	\$ 9,805,333	\$ 10,584,491	\$ 11,485,683	\$ 12,096,380	\$ 12,537,110	
8 / 8 / 8	\$ 9,880,426	\$ 10,685,312	\$ 11,622,064	\$ 12,722,449	\$ 13,478,103	\$ 14,028,308	
1 / 10 / 10	\$ 10,507,638	\$ 11,412,133	\$ 12,470,850	\$ 13,721,981	\$ 14,585,394	\$ 15,216,064	
10 / 15 / 0	\$ 11,005,633	\$ 11,851,867	\$ 12,825,039	\$ 13,953,106	\$ 14,718,894	\$ 15,272,167	
0 / 0 / 25	\$ 11,100,871	\$ 12,192,293	\$ 13,494,352	\$ 15,064,448	\$ 16,166,298	\$ 16,979,977	
5 / 0 / 25	\$ 11,530,908	\$ 12,655,627	\$ 13,995,895	\$ 15,610,152	\$ 16,741,891	\$ 17,577,116	
5 / 8 / 15	\$ 11,851,114	\$ 12,918,720	\$ 14,175,186	\$ 15,668,637	\$ 16,704,264	\$ 17,463,117	
10 / 10 / 10	\$ 11,981,902	\$ 12,992,800	\$ 14,172,239	\$ 15,561,211	\$ 16,516,975	\$ 17,213,779	
1 / 12 / 12	\$ 12,210,274	\$ 13,294,288	\$ 14,565,779	\$ 16,071,510	\$ 17,112,354	\$ 17,873,423	
5 / 10 / 15	\$ 12,838,081	\$ 13,999,520	\$ 15,365,387	\$ 16,987,430	\$ 18,111,331	\$ 18,934,414	
10 / 10 / 15	\$ 13,771,077	\$ 14,996,187	\$ 16,434,060	\$ 18,138,050	\$ 19,316,707	\$ 20,178,935	
0 / 10 / 20	\$ 13,950,670	\$ 15,272,907	\$ 16,836,313	\$ 18,703,505	\$ 20,003,306	\$ 20,958,079	
12 / 12 / 12	\$ 14,083,378	\$ 15,300,288	\$ 16,722,415	\$ 18,399,973	\$ 19,555,848	\$ 20,399,249	
1 / 15 / 15	\$ 14,764,229	\$ 16,117,520	\$ 17,708,173	\$ 19,595,803	\$ 20,902,794	\$ 21,859,461	
5 / 15 / 15	\$ 15,305,497	\$ 16,701,520	\$ 18,340,889	\$ 20,284,414	\$ 21,629,000	\$ 22,612,655	
10 / 10 / 20	\$ 15,560,252	\$ 16,999,573	\$ 18,695,880	\$ 20,714,888	\$ 22,116,439	\$ 23,144,092	
5 / 10 / 25	\$ 16,416,431	\$ 18,006,293	\$ 19,889,028	\$ 22,141,107	\$ 23,710,795	\$ 24,864,727	
0 / 15 / 20	\$ 16,418,087	\$ 17,974,907	\$ 19,811,814	\$ 22,000,489	\$ 23,520,975	\$ 24,636,320	
12 / 15 / 15	\$ 16,637,332	\$ 18,123,520	\$ 19,864,808	\$ 21,924,267	\$ 23,346,289	\$ 24,385,288	
0 / 15 / 25	\$ 18,207,262	\$ 19,978,293	\$ 22,073,635	\$ 24,577,327	\$ 26,320,707	\$ 27,601,477	
15 / 15 / 20	\$ 19,024,766	\$ 20,764,907	\$ 22,809,499	\$ 25,234,955	\$ 26,913,889	\$ 28,142,612	
0 / 15 / 30	\$ 19,996,436	\$ 21,981,680	\$ 24,335,455	\$ 27,154,166	\$ 29,120,439	\$ 30,566,633	
0 / 0 / 50	\$ 20,046,745	\$ 22,209,227	\$ 24,803,455	\$ 27,948,640	\$ 30,164,958	\$ 31,805,761	
5 / 0 / 50	\$ 20,476,783	\$ 22,672,560	\$ 25,304,998	\$ 28,494,344	\$ 30,740,551	\$ 32,402,900	
5 / 10 / 40	\$ 21,783,956	\$ 24,016,453	\$ 26,674,490	\$ 29,871,623	\$ 32,109,992	\$ 33,760,197	
0 / 15 / 40	\$ 23,574,786	\$ 25,988,453	\$ 28,859,096	\$ 32,307,843	\$ 34,719,903	\$ 36,496,947	
0 / 15 / 50	\$ 27,153,136	\$ 29,995,227	\$ 33,382,737	\$ 37,461,519	\$ 40,319,367	\$ 42,427,260	
15 / 15 / 50	\$ 29,759,816	\$ 32,785,227	\$ 36,380,423	\$ 40,695,986	\$ 43,712,281	\$ 45,933,553	

Endurance Exploration Valuation Matrix By Trickle Research LLC Projected Stock Price								
Assumed Discount Rate		30%	25%	20%	15%	12%	10%	
Recovery Assumptions								
1 / 1 / 0	\$	0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
2 / 2 / 0	\$	0.05	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06
2 / 2 / 2	\$	0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.08
0 / 0 / 5	\$	0.06	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
2 / 0 / 5	\$	0.07	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.09
4 / 0 / 5	\$	0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.09
5 / 5 / 0	\$	0.08	\$ 0.09	\$ 0.09	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.11
4 / 4 / 4	\$	0.09	\$ 0.10	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.12
5 / 0 / 10	\$	0.10	\$ 0.11	\$ 0.11	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14
1 / 5 / 5	\$	0.10	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.14
8 / 0 / 10	\$	0.11	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.15
5 / 5 / 5	\$	0.11	\$ 0.12	\$ 0.12	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.15
4 / 8 / 8	\$	0.11	\$ 0.12	\$ 0.13	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16
5 / 10 / 0	\$	0.12	\$ 0.13	\$ 0.14	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16
1 / 8 / 8	\$	0.14	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20
8 / 12 / 0	\$	0.14	\$ 0.16	\$ 0.17	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20
8 / 8 / 8	\$	0.16	\$ 0.17	\$ 0.18	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.22
1 / 10 / 10	\$	0.17	\$ 0.18	\$ 0.20	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24
10 / 15 / 0	\$	0.17	\$ 0.19	\$ 0.20	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24
0 / 0 / 25	\$	0.18	\$ 0.19	\$ 0.21	\$ 0.24	\$ 0.26	\$ 0.26	\$ 0.27
5 / 0 / 25	\$	0.18	\$ 0.20	\$ 0.22	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.28
5 / 8 / 15	\$	0.19	\$ 0.21	\$ 0.23	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.28
10 / 10 / 10	\$	0.19	\$ 0.21	\$ 0.22	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.27
1 / 12 / 12	\$	0.19	\$ 0.21	\$ 0.23	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.28
5 / 10 / 15	\$	0.20	\$ 0.22	\$ 0.24	\$ 0.27	\$ 0.29	\$ 0.29	\$ 0.30
10 / 10 / 15	\$	0.22	\$ 0.24	\$ 0.26	\$ 0.29	\$ 0.31	\$ 0.31	\$ 0.32
0 / 10 / 20	\$	0.22	\$ 0.24	\$ 0.27	\$ 0.30	\$ 0.32	\$ 0.32	\$ 0.33
12 / 12 / 12	\$	0.22	\$ 0.24	\$ 0.27	\$ 0.29	\$ 0.31	\$ 0.31	\$ 0.32
1 / 15 / 15	\$	0.23	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.33	\$ 0.33	\$ 0.35
5 / 15 / 15	\$	0.24	\$ 0.27	\$ 0.29	\$ 0.32	\$ 0.34	\$ 0.34	\$ 0.36
10 / 10 / 20	\$	0.25	\$ 0.27	\$ 0.30	\$ 0.33	\$ 0.35	\$ 0.35	\$ 0.37
5 / 10 / 25	\$	0.26	\$ 0.29	\$ 0.32	\$ 0.35	\$ 0.38	\$ 0.38	\$ 0.39
0 / 15 / 20	\$	0.26	\$ 0.29	\$ 0.31	\$ 0.35	\$ 0.37	\$ 0.37	\$ 0.39
12 / 15 / 15	\$	0.26	\$ 0.29	\$ 0.32	\$ 0.35	\$ 0.37	\$ 0.37	\$ 0.39
0 / 15 / 25	\$	0.29	\$ 0.32	\$ 0.35	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.44
15 / 15 / 20	\$	0.30	\$ 0.33	\$ 0.36	\$ 0.40	\$ 0.43	\$ 0.43	\$ 0.45
0 / 15 / 30	\$	0.32	\$ 0.35	\$ 0.39	\$ 0.43	\$ 0.46	\$ 0.46	\$ 0.49
0 / 0 / 50	\$	0.32	\$ 0.35	\$ 0.39	\$ 0.44	\$ 0.48	\$ 0.48	\$ 0.50
5 / 0 / 50	\$	0.33	\$ 0.36	\$ 0.40	\$ 0.45	\$ 0.49	\$ 0.49	\$ 0.51
5 / 10 / 40	\$	0.35	\$ 0.38	\$ 0.42	\$ 0.47	\$ 0.51	\$ 0.51	\$ 0.54
0 / 15 / 40	\$	0.37	\$ 0.41	\$ 0.46	\$ 0.51	\$ 0.55	\$ 0.55	\$ 0.58
0 / 15 / 50	\$	0.43	\$ 0.48	\$ 0.53	\$ 0.59	\$ 0.64	\$ 0.64	\$ 0.67
15 / 15 / 50	\$	0.47	\$ 0.52	\$ 0.58	\$ 0.65	\$ 0.69	\$ 0.69	\$ 0.73

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to perhaps add another 5 of the names from our profiles). We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.