

OMI



oceanography mariculture industries, inc.

ANNUAL REPORT

MARCH 31, 1973

To Our Stockholders:

This fiscal year has been an unusual period in your Company's history. It was highlighted by significant management changes and great technological progress.

The year began with discovery that the former president improperly diverted funds from this Company to the Oceanography Development Corporation ("ODC"), the parent company, without proper purpose or authorization. That officer, and others, were promptly removed from the management and the current management was instated. Arthur Andersen & Co. was engaged to conduct a special review of intercompany transactions between ODC and OMI. This resulted in a negotiated settlement between the companies, the nature of which is described in a footnote to the financial statements.

In conjunction with the removal of former management, the Board of Directors was restructured to make it a strongly independent and functional body which best served the requirements and needs of all investors. The Board of Directors now functions to provide guidance and direction to management and has served to ensure that the corporation is managed in such a manner that company objectives will be met.

During the year significant progress was made towards the transition of our technological processes into the realization of production. The Dominican Republic was selected as the site of our first production facility. This selection took a considerable period of time and required thorough analysis prior to the commitment to undertake construction. The property on which the plant is located is leased from a private individual for a period which could cover, at the Company's option, a span of 40 years. The site was selected because of its proximity to the established channels of distribution from the Dominican Republic, proximity for personnel and logistics support from the capital, and to provide the most optimum geologic formation and water quality required for productive operations. Favorable negotiations with the Government of the Dominican Republic provided for a 20 year exemption from all import and export duties as well as income taxes. A formal contract was drawn and ratified by that Country's Congress.

Fixed contracts with Dominican construction corporations were negotiated in early January 1973. Ground was broken January 17. Construction progress to date has been exceptionally reliable and has fallen within cost estimates originally projected by the Company.

As a matter of first priority, it was decided to complete and put into operation our first hatchery building. This would enable the Company to begin production immediately while construction continued on the remainder of the facilities. A plan was formulated to spawn pompano in Florida and air-lift the eggs to the Dominican facilities for hatchery development and subsequent grow-out. This plan was put into action on May 10, while only a portion of the hatchery was complete. During the summer, hatchery construction was finished, as was construction of our offices, laboratory, and brood stock holding facilities. On August 30, all breeding fish were airlifted to the new facilities and totally integrated operations in the Dominican Republic commenced shortly thereafter. The Company anticipates realizing its first sale of pompano in early 1974.

During the year, Prudential Life Insurance Company, Llenoco Corporation and the Birmingham Corporation, already substantial investors in OMI, provided additional capital for corporate development. Their continued participation and confidence were instrumental to our success and were particularly significant in view of previous management problems. The Company will require additional capital to continue its program; steps in that direction are now in the process of formation.

The future of OMI is exciting to contemplate. Facilities in the Dominican Republic will provide the capacity for significant production which should result in favorable operations. Investors in OMI can take a great deal of pride in having participated in this truly unique accomplishment.

We wish to thank you for your continued support.



NICHOLAS B. TEMPLE
President

November 9, 1973