

SEAFARER EXPLORATION CORP
Form 10-Q
November 23, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-29461

SEAFARER EXPLORATION CORP.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation or
organization)

90-0473054
(I.R.S. Employer Identification No.)

14497 N. Dale Mabry Highway, Suite 209-N, Tampa, Florida 33618

(Address of principal executive offices)(Zip code)

(813) 448-3577

Registrant's telephone number

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

As of November 18, 2015, there were 1,263,937,280 shares of the registrant’s common stock, \$.0001 par value per share, outstanding.

SEAFARER EXPLORATION CORP.
Form 10-Q
For the Quarterly Period Ended September 30, 2015

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Part 1: Financial Information

Statements in this Form 10-Q Quarterly Report may be “forward-looking statements.” Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on our current expectations, estimates and projections about our business based, in part, on assumptions made by our management. These assumptions are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in this Form 10-Q Quarterly Report, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in other documents which we file with the Securities and Exchange Commission.

In addition, such statements could be affected by risks and uncertainties related to our financial condition, factors that affect our industry, market and customer acceptance, changes in technology, fluctuations in our quarterly results, our ability to continue and manage our growth, liquidity and other capital resource issues, compliance with government regulations and permits, agreements with third parties to conduct operations, competition, fulfillment of contractual obligations by other parties and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q Quarterly Report, except as required by Federal Securities law.

Item 1. Financial Statements

SEAFARER EXPLORATION CORP.
CONDENSED BALANCE SHEETS

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 3,601	\$ 12,424
Prepaid expenses	63,122	29,991
Settlement receivable	-	18,000
Deposits and other receivables	1,183	1,183
Total current assets	67,906	61,598
Property and equipment, net	70,767	96,255
Total assets	\$ 138,673	\$ 157,853
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expense	\$ 204,167	\$ 191,967
Convertible notes payable, net of discounts of \$62,083 and \$14,148	37,917	10,852
Convertible notes payable, related parties, net of discounts of \$- and \$15,064	9,000	22,936
Convertible notes payable, in default	366,300	341,300
Convertible notes payable, in default - related parties	167,500	129,500
Convertible notes payable at fair value	203,766	761,677
Shareholder loan	2,920	3,500
Notes payable, in default	30,000	30,000
Notes payable, in default - related parties	7,500	7,500
Total current liabilities	1,029,070	1,499,232
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.0001 par values - 50,000,000 shares authorized; 67 shares issued		
Series A - 7 shares issued and outstanding at September 30, 2015 and December 31, 2014	-	-
Series B - 60 shares issued and outstanding at September 30, 2015 and December 31, 2014	-	-

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Common stock, \$0.0001 par value - 1,500,000,000 shares authorized;
1,253,702,348 and

986,356,130 shares issued and outstanding
at September 30, 2015 and

December 31, 2014, respectively	125,370	98,636
Additional paid-in capital	9,895,592	8,734,606
Accumulated deficit	(10,911,359)	(10,174,621)
Total stockholders' deficit	(890,397)	(1,341,379)
Total liabilities and stockholders' deficit	\$ 138,673	\$ 157,853

See notes to condensed financial statements.

SEAFARER EXPLORATION CORP.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$-	\$-	\$-	\$-
Expenses:				
Consulting and contractor expenses	125,787	199,480	479,834	568,343
Professional fees	12,375	43,517	62,754	118,864
General and administrative expense	3,290	13,134	109,093	34,214
Depreciation expense	8,496	8,496	25,488	25,488
Rent expense	12,799	6,418	40,901	15,558
Vessel expense	14,431	30,428	41,223	72,197
Travel and entertainment expense	13,711	46,332	50,044	112,788
Total operating expenses	190,889	347,805	809,337	947,452
Loss from operations	(190,889)	(347,805)	(809,337)	(947,452)
Other income (expense):				
Interest income (expense), net	(135,227)	(180,819)	72,559	(624,425)
Loss on impairment		(1,100)	-	(1,100)
Total other income (expense)	(135,227)	(181,919)	72,559	(625,525)
Net loss	\$(326,116)	\$(529,724)	\$(736,778)	\$(1,572,977)
Net loss per share - basic and diluted	\$-	\$-	\$-	\$-
Weighted average common shares outstanding - basic and diluted	1,193,601,601	919,710,681	1,120,925,906	890,886,099

See notes to condensed financial statements.

SEAFARER EXPLORATION CORP.

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	September 30, 2015	September 30, 2014
Operating activities		
Net loss	\$ (736,738)	\$ (1,572,977)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	25,488	25,488
Change in allowance for uncollectible note receivable		
Interest (income) expense on fair value adjustment	(170,844)	354,451
Amortization of beneficial conversion feature of the notes payable	67,129	270,640
Loss on impairment	-	1,100
Common stock issued for services	243,976	185,799
Decrease (increase) in:		
Settlement receivable	18,000	-
Prepaid expenses	(33,131)	13,447
Decrease in shareholder advance		3,267
Increase (decrease) in:		
Accounts payable and accrued expenses	47,509	34,051
Net cash provided (used) by operating activities	(538,611)	(684,734)
Cash flows from investing activities	-	-
Cash flows from financing activities:		
Proceeds from the issuance of common stock	331,368	329,496
Proceeds from the issuance convertible notes payable	202,000	335,505
Proceeds from the issuance convertible notes payable, related party	9,000	60,505
Payment of Convertible note payable	(12,000)	
Advances from shareholder	9,420	-
Payments to shareholders	(10,000)	-
Net cash provided by financing activities	529,788	725,506
Net increase (decrease) in cash	(8,823)	40,772
Cash - beginning	12,424	578
Cash - ending	\$ 3,601	\$ 41,350
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ 6,000	\$ -
Cash paid for income taxes	\$ -	\$ -
Noncash operating and financing activities:		
Common stock issued to satisfy debt	\$ 26,571	\$ 7,683
Convertible debt converted and accrued interest to common		

stock	\$	465,803	\$	364,932
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See notes to condensed financial statements.

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SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

The accompanying condensed financial statements of Seafarer Exploration Corp. (“Seafarer” or the “Company”) are unaudited, but in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary to fairly state the Company’s financial position, results of operations, and cash flows as of and for the dates and periods presented. The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information.

These unaudited condensed financial statements should be read in conjunction with the Company’s audited financial statements and footnotes included in the Company’s Report on Form 10-K for the twelve months ended December 31, 2014, filed with the Securities and Exchange Commission (the “Commission”). The results of operations for the nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2015 or for any future period.

NOTE 1 – DESCRIPTION OF BUSINESS

Seafarer Exploration Corp. (the “Company”), formerly Organetix, Inc. (“Organetix”), was incorporated on May 28, 2003 in the State of Delaware.

The principal business of the Company is to develop the infrastructure necessary to engage in the archaeologically-sensitive exploration and recovery of historic shipwrecks. During 2008, the Company changed its fiscal year end from April 30 to December 31.

In June of 2008, the Company merged with Organetix pursuant to a Share Exchange Agreement (the “Exchange Agreement”). The Exchange Agreement provided for the exchange of all of the Company’s common shares for 131,243,235 of Organetix post-merger common shares. Considering that Seafarer Inc.’s former stockholders controlled the majority of Organetix’s outstanding voting common stock, Seafarer Inc.’s management had actual operational control of Organetix and Organetix effectively succeeded its otherwise minimal operations to the Company’s operations. The Company was considered the accounting acquirer in this reverse-merger transaction. A reverse-merger transaction with a non-operating public shell company is considered and accounted for as a capital transaction in substance; it is equivalent to the issuance of Seafarer Inc.’s common stock for the net monetary assets of Organetix, accompanied by a recapitalization. Accordingly, the accounting does not contemplate the recognition of unrecorded assets of the accounting acquiree, such as goodwill. On the date of the merger, Organetix was a blank-check public shell company and had no assets and no liabilities. The condensed financial statements presented herein and subsequent to the merger reflect the condensed financial assets and liabilities and operations of Seafarer Inc., at their historical costs, giving effect to the recapitalization, as if it had been Organetix during the periods presented.

In July of 2008, the Company changed its name from Organetix, Inc. to Seafarer Exploration Corp.

NOTE 2 - GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred net losses since inception, which raises substantial doubt about the Company’s ability to continue as a going concern. Based on its historical rate of expenditures, the Company expects to expend its available cash in less than one month from, November 20, 2015. Management’s plans include raising capital through the equity markets to fund operations and, eventually, the generation of revenue through its business. The Company does not expect to

generate any revenues for the foreseeable future.

Failure to raise adequate capital and generate adequate revenues could result in the Company having to curtail or cease operations. The Company's ability to raise additional capital through the future issuances of the common stock is unknown. Additionally, even if the Company does raise sufficient capital to support its operating expenses and generate adequate revenues, there can be no assurances that the revenue will be sufficient to enable it to develop to a level where it will generate profits and cash flows from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern; however, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classifications of the liabilities that might be necessary should the Company be unable to continue as a going concern.

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Seafarer Exploration Corp. is presented to assist in understanding the Company's condensed financial statements. The condensed financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the condensed financial statements.

Accounting Method

The Company's condensed financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

Revenue Recognition

The Company recognizes revenue on arrangements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" and No. 104, "Revenue Recognition". In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability is reasonably assured. For the periods ended September 30, 2015 and 2014, the Company did not report any revenues.

Earnings Per Share

The Company has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 260-10 which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Basic and diluted losses per share were the same at the reporting dates as there were no common stock equivalents outstanding at September 30, 2015 and 2014.

Fair Value of Financial Instruments

Fair value measurements are determined by the Company's adoption of authoritative guidance issued by the FASB, with the exception of the application of the statement to non-recurring, non-financial assets and liabilities, as permitted. Fair value is defined in the authoritative guidance as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy was established, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 – Valuation based on unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on, observable inputs (other than level one prices), quoted market prices for similar assets such as at the measurement date; quoted prices in the market that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The valuation of the Company’s derivative liability is determined using Level 1 inputs, which consider (i) time value, (ii) current market and (iii) contractual prices.

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, receivables, accounts payable, notes payable and other payables, approximate their fair values because of the short maturity of these instruments.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The following table presents certain investments and liabilities of the Company's financial assets measured and recorded at fair value in the Company's consolidated balance sheets on a recurring basis and their level within the fair value hierarchy as September 30, 2015:

	Level 1	Level 2	Level 3	Total
Fair value of derivative liability	\$ 203,766	\$ -	\$ -	\$ 203,766

Property and Equipment and Depreciation

Fixed assets are recorded at historical cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Property and equipment, net consist of the following at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Diving vessel	\$ 325,000	\$ 325,000
Generator	7,420	7,420
Less accumulated depreciation	(261,653)	(236,165)
	\$ 70,767	\$ 96,255

Depreciation expense for the nine month period ended September 30, 2015 and 2014 amounted to \$25,488.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, the Company, on a regular basis, reviews the carrying amount of long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. The Company determines if the carrying amount of a long-lived asset is impaired based on anticipated undiscounted cash flows, before interest, from the use of the asset. In the event of impairment, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined based on appraised value of the assets or the anticipated cash flows from the use of the asset, discounted at a rate commensurate with the risk involved. There were no impairment charges recorded during the periods ended September 30, 2015 and 2014.

Employee Stock Based Compensation

The FASB issued SFAS No.123 (revised 2004), Share-Based Payment, which was superseded by ASC 718-10. ASC 718-10 provides investors and other users of financial statements with more complete and neutral financial information, by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements, including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As of September 30, 2015 the Company has not implemented an employee stock based compensation plan.

Non-Employee Stock Based Compensation

The Company accounts for stock based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services, which was superseded by ASC 505-50. The Company issues compensatory shares for services including, but not limited to, executive, board of directors, business consulting, corporate advisory, accounting, research, archeological, operations, strategic planning, corporate communications, financial, legal and administrative consulting services.

Use of Estimates

The process of preparing condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the condensed financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Convertible Notes Payable

The Company accounts for conversion options embedded in convertible notes in accordance with ASC 815. ASC 815 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free standing derivative financial instruments. ASC 815 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional, as defined by ASC 815-40.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Company accounts for convertible notes deemed conventional and conversion options embedded in non-conventional convertible notes which qualify as equity under ASC 815, in accordance with the provisions of ASC 470-20, which provides guidance on accounting for convertible securities with beneficial conversion features. Accordingly, the Company records, as a discount to convertible notes, the intrinsic value of such conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Convertible Notes Payable at Fair Value

The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4. This guidance allows an entity that initially recognizes a hybrid financial instrument that under paragraph 815-15-25-1 would be required to be separated into a host contract and a derivative instrument may irrevocably elect to initially and subsequently measure that hybrid financial instrument in its entirety at fair value (with changes in fair value recognized in earnings).

The fair value election is also available when a previously recognized financial instrument subject to a re-measurement event and the separate recognition of an embedded derivative. The fair value election may be made instrument by instrument. For purposes of this paragraph, a re-measurement event (new basis event) is an event identified in generally accepted accounting principles, other than the recognition of an other-than-temporary impairment, that requires a financial instrument to be re-measured to its fair value at the time of the event but does not require that instrument to be reported at fair value on a continuous basis with the change in fair value recognized in earnings. Examples of re-measurement events are business combinations and significant modifications of debt as defined in Subtopic 470-50.

NOTE 4 - LOSS PER SHARE

Components of loss per share for the three months ended September 30, 2015 and 2014 are as follows:

	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014
Net loss attributable to common stockholders	\$ (326,116)	\$ (529,724)
Weighted average shares outstanding:		
Basic and diluted	1,193,601,601	919,710,681

Loss per share:		
Basic and diluted	\$ (0.00)	\$ (0.00)

Components of loss per share for the nine months ended September 30, 2015 and 2014 are as follows:

	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Net loss attributable to common stockholders	\$ (736,738)	\$ (1,572,977)
Weighted average shares outstanding:		
Basic and diluted	1,120,925,906	890,886,099
Loss per share:		
Basic and diluted	\$ (0.00)	\$ (0.00)

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 – CAPITAL STOCK

As of September 30, 2015 the Company was authorized to issue 1,500,000,000 shares of \$0.0001 par value common stock.

Preferred Stock

The Company is authorized to sell or issue 50,000,000 shares of preferred stock.

Series A Preferred Stock

On March 30, 2011, the Company designated 50,000 shares, par value \$0.0001 per share as Series A Preferred Stock (“Series A Preferred”). The Series A Preferred has a liquidation preference of \$1. The holders have no voting rights and are entitled to receive dividends if and when declared by the board. Additionally, the Series A Preferred does not have a term or a maturity date; it is a perpetual financial instrument. We analyzed the instrument under EITF D-109 Determining the Nature of a Host Contract Related to a Hybrid Financial Instrument Issued in the Form of a Share under FASB Statement 133 (ASC 815) to determine if the host preferred stock is more akin to an equity instrument or a debt instrument in terms of their economic characteristics and risks. The Company concluded that the Series A Preferred is more akin to an equity instrument. The Company further analyzed the instrument under EITF D-98 Classification and Measurement of Redeemable Securities (ASC 480-10) and concluded that because the instrument is not redeemable for cash, it does not require classification in the mezzanine section of the financial statements.

The Company previously issued seven shares of its preferred stock. The Company and the preferred shareholders have agreed to amend the preferred shareholder agreements so that each share of preferred stock has the right to convert into 214,286 shares of the Company’s common stock and receive a 1% share of any artifacts found at the Church Hollow Site. As of September 30, 2015, no shares of preferred stock had been converted into shares of the Company’s common stock.

Series B Preferred Stock

On February 10, 2014, the Board of Directors of the Company under the authority granted under Article V of the Articles of Incorporation, defined and created a new preferred series of shares from the 50,000,000 authorized preferred shares. Pursuant to Article V, the Board of Directors has the power to designate such shares and all powers and matters concerning such shares. Such share class shall be designated Preferred Class B. The preferred class was created for 60 Preferred Class B shares. Such shares each have a voting power equal to one percent of the outstanding shares issued (totaling 60%) at the time of any vote action as necessary for share votes under Florida law, with or without a shareholder meeting. Such shares are non-convertible to common shares of the Company and are not considered as convertible under any accounting measure. Such shares shall only be held by the Board of Directors as a Corporate body, and shall not be placed into any individual name. Such shares were considered issued at the time of this resolution’s adoption, and do not require a stock certificate to exist, unless selected to do so by the Board for representational purposes only. Such shares are considered for voting as a whole amount, and shall be voted for any matter by a majority vote of the Board of Directors. Such shares shall not be divisible among the Board members, and shall be voted as a whole either for or against such a vote upon the vote of the majority of the Board of Directors. In the event that there is any vote taken which results in a tie of a vote of the Board of Directors, the vote of the Chairman of the Board shall control the voting of such shares. Such shares are not transferable except in the case of a change of control of the Corporation when such shares shall continue to be held by the Board of Directors. Such

shares have the authority to vote for all matters that require a share vote under Florida law and the Articles of Incorporation.

Warrants and Options

During the nine month period ended September 30, 2015 the Company issued warrants to purchase a total of 47,345,834 shares of its restricted common stock:

April 20, 2015 to November 20, 2015	10,000,000	\$0.0050
May 08, 2015 to May 8, 2016	1,562,500	\$0.0050
May 11, 2015 to November 11, 2016	5,000,000	\$0.0050
June 8, 2015 to December 8, 2016	10,000,000	\$0.0032
June 16, 2015 to December 16, 2016	2,000,000	\$0.0050
June 29, 2015 to December 29, 2015	8,333,334	\$0.0050
July 8, 2015 to January 8, 2017	700,000	\$0.0050
July 14, 2015 to January 14, 2017	3,000,000	\$0.0050
August 1, 2015 to August 1, 2016	2,000,000	\$0.0050
August 19, 2015 to February 19, 2017	750,000	\$0.0100
September 18, 2015 to September 18, 2020	4,000,000	\$0.0030
	47,345,834	

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 5 – CAPITAL STOCK - continued

The Company previously issued a warrant on November 20, 2012 a convertible note holder to purchase 4,000,000 shares of its common stock with an exercise price of \$0.005 per share for a period of ten years.

NOTE 6 - INCOME TAXES

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	For the Nine Months Ended September 30, 2015		For the Nine Months Ended September 30, 2014	
Income tax at federal statutory rate	(34.00))%	(34.00))%
State tax, net of federal effect	(3.96))%	(3.96))%
	37.96	%	37.96	%
Valuation allowance	(37.96))%	(37.96))%
Effective rate	0.00	%	0.00	%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

As of September 30, 2015 and December 31, 2014, the Company's only significant deferred income tax asset was an estimated net tax operating loss of \$10,911,000 and \$10,175,000 respectively that is available to offset future taxable income, if any, in future periods, subject to expiration and other limitations imposed by the Internal Revenue Service. Management has considered the Company's operating losses incurred to date and believes that a full valuation allowance against the deferred tax assets is required as of September 30, 2015 and December 31, 2014. Management has evaluated tax positions in accordance with ASC 740 and has not identified any tax positions, other than those discussed above, that require disclosure.

NOTE 7 - LEASE OBLIGATION

Corporate Office

The Company leases 823 square feet of office space located at 14497 North Dale Mabry Highway, Suite 209-N, Tampa, Florida 33618. The Company entered into an amended lease agreement commencing on July 1, 2015 through June 30, 2017. Under the amended lease agreement the base monthly rent is \$1,215 from July 1, 2015 through June 30, 2016 and \$1,251 from July 1, 2016 to June 30, 2017. There may be additional monthly charges for pro-rated maintenance, late fees, etc.

Operations House

The Company has an operating lease for a house located in Palm Bay, Florida. The Company uses the house to store equipment and gear and to provide temporary work-related living quarters for its divers, personnel, consultants and independent contractors involved in its exploration and recovery operations. The term of the lease agreement commenced on October 1, 2015 and expires on October 31, 2016. The Company pays \$1,300 per month to lease the operations house.

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE

The Company evaluates each financial instrument to determine whether it meets the definition of “conventional convertible” debt under ASC 815-40. The note payable conversion feature of the outstanding convertible debt met the definition of conventional convertible for purposes of applying the conventional convertible exemption. The definition of conventional contemplates a limitation on the number of shares issuable under the arrangement. Since the convertible notes achieved the conventional convertible exemption, the Company was required to consider whether the hybrid contracts embody a beneficial conversion feature. The calculation of the effective conversion amount did result in a beneficial conversion feature.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

Convertible Notes Payable

The following table reflects the convertible notes payable, other than three notes that have been remeasured to fair value which are discussed later in Note 8, as of September 30, 2015:

Issue Date	Maturity Date	September 30, 2015	Interest Rate	Conversion Rate
Convertible notes payable:				
April 20, 2015	April 20, 2016	\$ 50,000	6.00 %	0.00320
June 29, 2015	December 29, 2015	25,000	6.00 %	0.00300
September 18, 2015	March 18, 2016	25,000	6.00 %	0.00200
Unamortized discounts		62,083		
Balance		\$ 37,917		
Convertible notes payable – related party				
July 14, 2015	January 14, 2016	\$ 9,000	6.00 %	0.00300
Convertible notes payable, in default				
October 31, 2012	April 30, 2013	\$ 8,000	6.00 %	0.0040
July 16, 2012	July 30, 2013	5,000	6.00 %	0.0050
November 20, 2012	May 20, 2013	50,000	6.00 %	0.0050
January 19, 2013	July 30, 2013	5,000	6.00 %	0.0040
February 11, 2013	August 11, 2013	9,000	6.00 %	0.0060
September 25, 2013	March 25, 2014	10,000	6.00 %	0.0125
August 28, 2009	November 1, 2009	4,300	10.00 %	0.0150
April 7, 2010	November 7, 2010	70,000	6.00 %	0.0080
November 12, 2010	November 7, 2011	40,000	6.00 %	0.0050
October 4, 2013	April 4, 2014	50,000	6.00 %	0.0125
October 30, 2013	October 30, 2014	50,000	6.00 %	0.0125
May 15, 2014	November 15, 2014	40,000	6.00 %	0.0070
October 13, 2014	April 13, 2015	25,000	6.00 %	0.0050
Balance		\$ 366,300		
Convertible notes payable - related party, in default				
January 19, 2013	July 30, 2013	\$ 15,000	6.00 %	0.0040
January 9, 2009	January 9, 2010	10,000	6.00 %	0.0150
January 25, 2010	January 25, 2011	6,000	6.00 %	0.0050
January 18, 2012	July 18, 2012	50,000	8.00 %	0.0040

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July 26, 2013	January 26, 2014	10,000	6.00	%	0.0100
January 17, 2014	July 17, 2014	31,500	6.00	%	0.0060
May 27, 2014	November 27, 2014	7,000	6.00	%	0.0070
July 21, 2014	January 25, 2015	17,000	6.00	%	0.0080
October 16, 2014	April 16, 2015	21,000	6.00	%	0.0045
Balance		\$ 167,500			

Between January 1, 2015 and September 30, 2015, the Company issued four (4) convertible notes payable totaling \$109,000. The notes include interest at 6%. The principal amount of the notes and interest is payable on the maturity date. The notes and accrued interest are convertible into common stock at fixed conversion prices. The conversion prices and maturity dates of these notes are detailed in the table in the preceding page.

The Company has evaluated the terms and conditions of the convertible notes under the guidance of ASC 815 and other applicable guidance. The conversion feature of four of the notes met the definition of conventional convertible for purposes of applying the conventional convertible exemption. The definition of conventional contemplates a limitation on the number of shares issuable under the arrangement. The note is convertible into a fixed number of shares and there are no down round protection features contained in the contracts. Since the convertible notes achieved the conventional convertible exemption, the Company was required to consider whether the hybrid contracts embody a beneficial conversion feature. The calculation of the effective conversion amount did result in a beneficial conversion feature.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

The following tables reflect the aggregate allocation on the financing date(s):

Face value of convertible notes payable	\$ 109,000
Beneficial conversion feature and warrants	(62,083)
Carrying value	\$ 37,917

The discounts on the convertible notes arose from the allocation of basis to the beneficial conversion feature. The discount is amortized through charges to interest expense over the term of the debt agreement. For the three months ended September 30, 2015, the Company recorded interest expense related to the amortization of debt discounts in the amount of approximately \$37,917. The Company recognized interest expense totaling \$97,844 during the nine months ended September 30, 2015.

Notes Payable

The following table reflects the notes payable as of September 30, 2015:

Issue Date	Maturity Date	September 30, 2015	Interest Rate
Notes payable, in default –related parties:			
February 24, 2010	February 24, 2011	\$ 7,500	6.00%
Notes payable, in default:			
June 23, 2011	August 23, 2011	25,000	6.00%
April 27, 2011	April 27, 2012	5,000	6.00%
		30,000	
		\$ 37,500	

At September 30, 2015 and December 31, 2014, combined accrued interest on the convertible notes payable, notes payable and stockholder loans was \$111,168 and \$91,167, respectively, and included in accounts payable and accrued liabilities on the accompanying balance sheets.

Between January 1, 2015 and September 30, 2015, the Company issued two new convertible notes payable with an aggregate face value of \$75,000. Both of these notes are convertible into shares of the Company common stock at a fixed price per share.

Convertible Notes Payable and Notes Payable, in Default

The Company does not have additional sources of debt financing to refinance its convertible notes payable and notes payable that are currently in default. If the Company is unable to obtain additional capital, such lenders may file suit, including suit to foreclose on the assets held as collateral for the obligations arising under the secured notes. If any of the lenders file suit to foreclose on the assets held as collateral, then the Company may be forced to significantly scale back or cease its operations which would more than likely result in a complete loss of all capital that has been invested in or borrowed by the Company. The fact that the Company is in default of several promissory notes held by various lenders makes investing in the Company or providing any loans to the Company extremely risky with a very high potential for a complete loss of capital.

The convertible notes that have been issued by the Company are convertible at the lender's option. These convertible notes represent significant potential dilution to the Company's current shareholders as the convertible price of these notes is generally lower than the current market price of the Company's shares. As such when these notes are converted into shares of the Company's common stock there is typically a highly dilutive effect on current shareholders and very possible that such dilution may significantly negatively affect the trading price of the Company's common stock.

Shareholder Loan

At September 30, 2015 the Company had a loan outstanding to a related party shareholder in the amount of \$2,920 at 0% interest and is due on demand.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

Convertible Notes Payable at Fair Value

Convertible Note Payable Dated April 24, 2014 at Fair Value

On April 24, 2014, the Company entered into a convertible note payable with a corporation. The note payable, with a face value of \$107,000, including \$7,000 of original issue discount, bears interest at 12.0% per annum and is due on April 24, 2015. The convertible note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 60% multiplied by the lowest closing bid price for the Company's common stock during the twenty (20) trading day period including the day the notice of conversion is received by the Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$166,771 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$166,771 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

During the year ended December 31, 2014, the Company repaid \$20,000 of the principle and converted \$35,000 of the note into 9,956,709 shares of common stock.

During the nine month period ended September 30, 2015, the remaining principal balance of \$52,000 plus accrued interest was converted into 22,531,030 shares of common stock.

Convertible Note Payable Dated August 21, 2014 at Fair Value

On August 21, 2014, the Company entered into a convertible note payable with a corporation. The convertible note payable, with a face value of \$40,000, bears interest at 8.0% per annum and is due on August 21, 2015. The note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 57% multiplied by the lowest closing bid price for the Company's common stock during the fifteen (15) trading day period including the day the notice of conversion is received by the

Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$34,971 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$34,971 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

During the nine month period ended September 30, 2015, the note was converted into 18,601,734 shares of common stock.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

Convertible Note Payable Dated September 08, 2014 at Fair Value

On September 08, 2014, the Company entered into a convertible note payable with a corporation. The note payable, with a face value of \$53,500, including \$3,500 of original issue discount, bears interest at 12.0% per annum and is due on September 8, 2015. The convertible note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 60% multiplied by the lowest closing bid price for the Company's common stock during the twenty (20) trading day period including the day the notice of conversion is received by the Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$42,080 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$42,080 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

During the nine month period ended September 30, 2015, the note was converted into 23,900,625 shares of common stock.

Convertible Note Payable Dated November 5, 2014 at Fair Value

On November 5, 2014, the Company entered into a convertible note payable with a corporation. The note payable, with a face value of \$53,000, bears interest at 8.0% per annum and is due on July 31, 2015. The convertible note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 65% multiplied by the average of the lowest two trading prices for the Company's common stock during the twenty five trading day period ending one trading day prior to the date the convertible note payable is sent by the holder to the Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company also concluded that the Default Put required bifurcation because, while puts on debt instruments are generally considered clearly and closely related to the host, the Default Put is indexed to certain events that are not associated with the convertible note payable.

The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable on November 5, 2014 the Company encountered the unusual circumstance of a day-one derivative loss of \$22,057 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$22,057 loss on the derivative financial instrument. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be recognized in interest expense or interest income on the Company's statement of operations.

The holder of this convertible note has the right to convert the balance of the note into shares of the Company's common stock at a substantial discount to the current market price of the shares. The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

During the nine month period ended September 30, 2015, the Company repaid \$12,000 of principal and accrued interest of the note and the remaining balance of the note was converted into 15,980,220 shares of common stock.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

Convertible Note Payable Dated December 17, 2014 at Fair Value

On December 17, 2014, the Company entered into a convertible note payable with a corporation. The note payable, with a face value of \$43,000, bears interest at 8.0% per annum and is due on September 19, 2015. The convertible note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 65% multiplied by the average of the lowest two trading prices for the Company's common stock during the twenty five trading day period ending one trading day prior to the date the convertible note payable is sent by the holder to the Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price. The holder has the option to redeem the convertible note payable for cash in the event of defaults or certain other contingent events (the "Default Put").

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company also concluded that the Default Put required bifurcation because, while puts on debt instruments are generally considered clearly and closely related to the host, the Default Put is indexed to certain events that are not associated with the convertible note payable.

The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable on December 17, 2014 the Company encountered the unusual circumstance of a day-one derivative loss of \$40,980 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$40,980 loss on the derivative financial instrument. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be recognized in interest expense or interest income on the Company's statement of operations.

The holder of this convertible note has the right to convert the balance of the note into shares of the Company's common stock at a substantial discount to the current market price of the shares. The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

During the nine month period ended September 30, 2015, the note was converted into 18,650,000 shares of common stock.

Convertible Note Payable Dated August 28, 2015 at Fair Value

On August 28, 2015 the Company entered into a convertible note payable with a corporation. The note payable, with a face value of \$44,000, including a \$4,000 of original issue discount, bears interest at 12.0% per annum and is due on August 28, 2016. The convertible note payable is convertible, at the holder's option, into the Company's common

shares at the Variable Conversion Price. The Variable Conversion Price is defined as 62% multiplied by the lowest closing bid price for the Company's common stock during the twenty (20) trading day period including the day the notice of conversion is received by the Company. If the Company's market capitalization is less than \$1,000,000 on the day immediately prior to the date of the notice of conversion, then the conversion price shall be 25% multiplied by the lowest closing price as of the date notice of conversion is given and if the closing price of the Company's common stock on the day immediately prior to the date of the notice of conversion is less than \$0.00075 then the conversion price shall be 25% multiplied by the lowest closing price as of the date a notice of conversion is given. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$32,210 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$32,210 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

At September 30, 2015, the \$44,000 face value convertible note payable was recorded at its fair value of \$82,516.

Convertible Note Payable Dated September 3, 2015 at Fair Value

On September 3, 2015 the Company entered into a convertible note payable with a corporation. The note payable in the amount of \$38,500, including a \$3,500 original issue discount, and bears interest at 12.0% per annum and is due on September 3, 2017. According to the terms of the note, the Company was eligible to utilize up to \$200,000 of credit under the note, with potential proceeds received of \$180,000, however the Company elected to borrow only the \$38,500. Any additional amount borrowed under this note would require approval of both the Company and the lender. The convertible note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 65% multiplied by the lowest trade price for the Company's common stock in the twenty-five (25) trading day period previous to the conversion. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$29,789 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$29,789 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

At September 30, 2015, the \$38,500 face value convertible note payable was recorded at its fair value of \$73,726.

Convertible Note Payable Dated September 8, 2015 at Fair Value

On September 8, 2015, the Company entered into a convertible note payable with a corporation. The convertible note payable, with a face value of \$27,000, bears interest at 8.0% per annum and is due on September 8, 2016. The note payable is convertible, at the holder's option, into the Company's common shares at the Variable Conversion Price. The Variable Conversion Price is defined as 65% multiplied by the lowest closing bid price for the Company's common stock during the fifteen (15) trading day period including the day the notice of conversion is received by the Company. The conversion feature is subject to full-ratchet, anti-dilution protection if the Company sells shares or

share-indexed financing instruments at less than the conversion price.

In the evaluation of the financing arrangement, the Company concluded that the conversion feature did not meet the conditions set forth in current accounting standards for equity classification. Since equity classification is not available for the conversion feature, it requires bifurcation and liability classification, at fair value. The Company elected to account for this hybrid contract under the guidance of ASC 815-15-25-4.

In connection with the issuance of the convertible note payable, the Company recognized day-one derivative loss totaling \$16,690 related to the recognition of (i) the hybrid note and (ii) the derivative instrument arising from the fair value measurement due to the fair value of the hybrid note and embedded derivative exceeding the proceeds that the Company received from the arrangement. Therefore, the Company was required to record a \$16,690 loss on the derivative financial instrument and is included in interest expense. In addition, the fair value will change in future periods, based upon changes in the Company's common stock price and changes in other assumptions and market indicators used in the valuation techniques. These future changes will be currently recognized in interest expense or interest income on the Company's statement of operations.

The conversion of the note into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holder elects to sell the shares that it has acquired as a result of converting the note into shares of common stock, then any such sales may result in a significant decrease in the market price of the Company's shares.

At September 30, 2015, the \$27,000 face value convertible note payable was recorded at its fair value of \$47,524.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE - continued

The conversion of the various promissory notes that are measured at fair value into shares of the Company's common stock is potentially highly dilutive to current shareholders. If the note holders elect to sell the shares that it has acquired as a result of converting the notes into shares of common stock, then the sales of any such shares may result in a significant decrease in the market price of the Company's common stock.

Additionally, the holders of these convertible notes at fair value have substantial rights and protections regarding dilution if certain events, including a default were to occur. There are a number of events that could trigger a default, including but not limited to failure to pay principal or interest, failure to issue shares under the conversion feature, breach of covenants, breach of representations and warranties, appointment of a receiver or trustee, judgments, bankruptcy, delisting of common stock, failure to comply with the exchange act, liquidation, cessation of operations, failure to maintain assets, material financial statement restatement, reverse split of borrowers stock, etc. In the event of default the interest rates for each of the notes at fair value may increase to rates of 24% per annum or greater.

Furthermore, there are additional events that could cause the lenders to be owed additional shares of common stock above and beyond the shares due from a conversion. Some of these events include, but are not limited to a merger or consolidation of the Company, dividend distribution or spin off, dilutive issuances of the Company's stock, etc. If the lenders receives additional shares of the Company's common stock due to any of the foregoing events or for other reasons, then this may have an extremely dilutive effect on the shareholders of the Company. Such dilution would likely result in a significant drop in the per share price of the Company's common stock. The potential dilutive nature of this note presents a very high degree of risk to the Company and its shareholders.

The following tables summarize the effects on September 30, 2015:

Face value of the convertible notes payable	\$ 109,500
Interest expense to record the convertible notes at fair value on the date of issuance	78,689
Interest income to mark to market the convertible notes on September 30, 2015	15,577
September 30, 2015 fair value	\$ 203,766

NOTE 9 – MATERIAL AGREEMENTS

Agreement to Explore a Shipwreck Site Located off of Brevard County, Florida

On March 1, 2014, Seafarer entered into a partnership and ownership with Marine Archaeology Partners, LLC, with the formation of Seafarer's Quest, LLC. Such LLC was formed in the State of Florida for the purpose of permitting, exploration and recovery of artifacts from a designated area on the east coast of Florida. Such site area is from a defined, contracted area by a separate entity, which a portion of such site is designated from a previous contracted holding through the State of Florida. Under such agreement, Seafarer is responsible for costs of permitting, exploration and recovery, and is entitled to 60% of such artifact recovery. Seafarer has a 50% ownership, with designated management of the LLC coming from Seafarer.

Exploration Permit with the Florida Division of Historical Resources for an Area off of Juno Beach, Florida

As previously noted on its form 8-K filed on May 9, 2011, the Company and Tulco received a 1A-31 Recovery Permit from the Florida Division of Historical Resources. The Recovery Permit was active through April 25, 2014. The Permit authorizes Seafarer to dig and recover artifacts from the designated site at Juno Beach, Florida. It will be necessary for the Company to obtain a renewal to the Recovery Permit for the Juno Beach shipwreck site in order to continue to perform exploration and recovery work at the site after April 25, 2014. Currently the Management believes that the permit with the FBAR is being renewed in the name of Seafarer Exploration Corp. under a judge's order. The permit had not been issued as of the filing date of this report.

Exploration Permit with the Florida Division of Historical Resources for an Area off of Lantana, Florida

On November 2, 2012, the Company received a three year 1A-31 Exploration Permit from the Division of Historical Resources for an area identified off of Lantana Beach, Florida. Under the permit the Company began remote sensing at the site with a cesium vapor magnetometer and did underwater exploration. Once the remote sensing was completed and the data analyzed, the Exploration permit moved to Phase 2, dig and identify. During Phase 2 testing was done which confirmed a mid to late 18th century shipwreck. Upon further testing, management believes a 1600s era shipwreck potentially exists, but not within the currently permitted area. Due to other developments and projects, the Company is not pursuing Phase 3 at the Lantana site at this time and is in the process of terminating its permit with the Florida Division of Historical Resources for this site.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 – MATERIAL AGREEMENTS - continued

Exploration Permit with the Florida Division of Historical Resources for an Area off of Cape Canaveral, Florida

On July 28, 2014, the Company's partnership with Marine Archeological Partners, LLC, Seafarer's Quest, LLC received a 1A-31 Dig and Identify Permit (the "Permit") from the Florida Division of Historical Resources for an area identified off of Cape Canaveral, Florida. The Permit is active for three years from the date of issuance. The Company must obtain various concurrent environmental permits in order to perform exploration and recovery operations at the site. The Company has applied for permits from the State of Florida for two additional areas that were formerly permitted solely by an affiliate of Marine Archeological Partners, LLC. These permits have not been issued as of the filing date of this report.

Certain Other Agreements

In January of 2015, the Company extended the term of a previous agreement with an individual who is related to the Company's CEO to continue serving as a member of the Company's Board of Directors. Under the agreement, the Director agreed to provide various services to the Company including making recommendations for both the short term and the long term business strategies to be employed by the Company, monitoring and assessing the Company's business and to advise the Company's Board of Directors with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, making suggestions to strengthen the Company's operations, identifying and evaluating external threats and opportunities to the Company, evaluating and making ongoing recommendations to the Board with respect for one year and may be terminated by either the Company or the Director by providing written notice to the other party. The agreement also terminates automatically upon the death, resignation or removal of the Director. Under the terms of the agreement, the Company agreed to pay the Director 8,000,000 restricted shares of its common stock and to negotiate future compensation on a year-by-year basis. The Company also agreed to reimburse the Director for pre-approved expenses. A portion of the 8,000,000 shares are included as an expense in consulting and contractor fees in the accompanying statement of operations and the remainder of the shares are going to be expensed over a twelve month period, these shares are included in the accompanying balance sheet as a prepaid expense.

In January of 2015, the Company extended the term of a previous agreement with an individual who is related to the Company's CEO to continue serving as a member of the Company's Board of Directors. Under the agreement, the Director agreed to provide various services to the Company including making recommendations for both the short term and the long term business strategies to be employed by the Company, monitoring and assessing the Company's business and to advise the Company's Board of Directors with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, making suggestions to strengthen the Company's operations, identifying and evaluating external threats and opportunities to the Company, evaluating and making ongoing recommendations to the Board with respect for one year and may be terminated by either the Company or the Director by providing written notice to the other party. The agreement also terminates automatically upon the death, resignation or removal of the Director. Under the terms of the agreement, the Company agreed to pay the Director 6,000,000 restricted shares of its common stock and to negotiate future compensation on a year-by-year basis. The Company also agreed to reimburse the Director for pre-approved expenses. A portion of the 6,000,000 shares are included as an expense in consulting and contractor fees in the accompanying statement of operations and the remainder of the shares are going to be expensed over a twelve month period, these shares are included in the accompanying balance sheet as a prepaid expense.

In April of 2015, the Company entered into agreements with ten separate individuals to either join or rejoin the Company's advisory council. Under the advisory council agreements all of the advisors agreed to provide various advisory services to the Company, including making recommendations for both the short term and the long term business strategies to be employed by the Company, monitoring and assessing the Company's business and to advise the Company's Board of Directors with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, making suggestions to strengthen the Company's operations, identifying and evaluating external threats and opportunities to the Company, evaluating and making ongoing recommendations to the Board with respect to the Company's business, and providing such other advisory or consulting services as may be appropriate from time to time. The term of each of the advisory council agreements is for one year. In consideration for the performance of the advisory services, the Company agreed to issue the nine of the advisors 1,000,000 shares a piece and one advisor 2,000,000 shares, an aggregate total of 11,000,000 restricted shares of its common stock. According to the agreements each of the Advisor's shares vest at a rate of 1/12th of the amount per month over the term of the agreement. If any of the advisors or the Company terminates the advisory council agreements prior to the expiration of the one year terms, then each of the advisors whose agreement has been terminated has agreed to return to the Company for cancellation any portion of their shares that have not vested. Under the advisory council agreements, the Company has agreed to reimburse the advisors for pre approved expenses.

In August of 2015 the Company entered into a consulting agreement with a corporation under which the corporation agreed to provide various services including business development, digital arbitrage and developing, studying and evaluating revenue proposals in order to assist the Company in attempting to generate revenue. The term of the agreement will continue until the completion of the services. The Company agreed to pay the consultant a total of 2 million shares of its restricted common stock with 1 million shares being restricted for 6 months from the execution of the agreement and 1 million shares being restricted for 1 year from the execution of the agreement.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 9 – MATERIAL AGREEMENTS - continued

The Company has an ongoing agreement with a limited liability company that is owned and controlled by a person who is related to the Company's CEO to provide stock transfer agency services. At September 30, 2015, the Company owed the related party limited liability company \$23,472 for transfer agency services rendered. The amount owed as of September 30, 2015 is included in the accompanying balance sheet under accrued payable and accrued expenses. In January 2015, the Company entered into a separate debt settlement agreement with the related party vendor to settle a total of \$62,936 of outstanding debt related to legal fees incurred by the related party vendor due to a lawsuit against the Company in which suit the related party vendor was also named as a defendant due to its position as the Company's stock transfer agency. The Company issued 15,734,068 shares of its common stock to this vendor as satisfaction for the outstanding debt. The agreement between the Company and the vendor stipulated that should the transfer agency realize less than \$62,936 from the sale of the stock, then the consultant is entitled to receive up to an additional 5,000,000 shares of common stock or a cash payment until the balance is paid in full. The related party limited liability company has also provided various corporate consulting, strategic planning and training under a separate consulting agreement that was entered into in March of 2014. All fees paid to the related party consultant during the period ended September 30, 2015 are included as an expense in consulting and contractor fees in the accompanying income statement for the period.

The Company has an ongoing verbal agreement with a limited liability company that is controlled by a person who is related to the Company's CEO to pay the related party consultant \$3,000 per month to provide general business consulting, industry research, monitoring and assessing the Company's business and to advise management with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, perform background research including background checks and provide investigative information on individuals and companies and acting as an administrative specialist to perform various administrative duties and clerical services including reviewing the Company's agreements and books and records. At September 30, 2015, the Company owed the related party limited liability company \$3,000 for services rendered. The amount owed as of September 30, 2015 is included in the accompanying balance sheet under accrued payable and accrued expenses. The consultant provides the services under the direction and supervision of the Company's and reports directly to the CEO. All fees paid to the related party consultant during the period ended September 30, 2015 are included as an expense in consulting and contractor fees in the accompanying income statement for the period.

The Company has an ongoing consulting agreement to pay a limited liability company a minimum of \$5,000 per month for providing ongoing business advisory and strategic planning and consulting services, assistance with financial reporting, IT management, and administrative services. The Company also agreed to pay additional compensation to the consultant in the form of cash and/or restricted stock to be awarded solely at the Company's discretion. The Company also agreed to reimburse the consultant for certain expenses. The agreement is verbal and may be terminated by the Company or the consultant at any time.

The Company has an ongoing agreement to pay a limited liability company a monthly fee of \$3,500 in cash or \$5,000 per month in restricted stock for archeological services and the review of historic shipwreck research consulting services.

The Company has an ongoing agreement to pay an individual a monthly fee of \$3,500 per month for archeological consulting services.

NOTE 10 – DIVISION OF ARTIFACTS AND TREASURE

Under the previous Exploration Agreement with Tulco that was renewed on June 8, 2010, the Company is required to split any artifacts or treasure that it successfully recovers from the Juno Beach Shipwreck site with the FLDHR and Tulco. Tulco and the Company, assuming that the FLDHR's portion will be 20%, have agreed to the following division of artifacts and treasure:

20% to the FLDHR
40% to Tulco
40% to the Company

More specifically, the FLDHR has the right to select up to 20% of the total value of recovered artifacts and treasure for the State's museum collection. After the FLDHR has selected those artifacts and treasure that it feels will complement its collection, then the Company and Tulco will split the remaining artifacts and treasure equally.

In addition to the division of artifacts with the FLDHR and Tulco, the Company may pay additional percentages of its net share of any artifacts that it recovers at the Juno Beach Shipwreck site:

The Company may elect to pay its divers or other personnel involved in the search for artifacts by giving them a percentage of the artifacts that they locate after a division of artifacts takes place with the FLDHR and Tulco. At the present time, the Company does not have any written agreements to pay any of its dive personnel a net percentage of any recovered artifacts; however, the Company reserves the right to do so in the future.

The Company has become aware that an individual has made a claim that he has a legally valid and binding agreement with Tulco to receive a percentage of any artifacts recovered from the Juno Beach Shipwreck. The individual has purportedly claimed that his agreement with Tulco was executed several years prior to the Company and Tulco entering into the Exploration Agreement in March 2007. The Company has not been able to verify the legal standing of this claim. If this alleged agreement exists and is legally valid and binding, or if there are other agreements that have a valid, legal claim on the Juno Beach Shipwreck site, then such consequences may have a material adverse effect on the Company and its prospects.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 10 – DIVISION OF ARTIFACTS AND TREASURE - continued

The Company is currently in the process of trying to have the Juno Beach site permitted in its name only. To date the Company has not located any artifacts that have any significant monetary value. The chance that the Company will actually recover artifacts of any significant value from the Juno Beach shipwreck site is very remote and highly unlikely.

NOTE 11 – LEGAL PROCEEDINGS

Since December 11, 2009, the Company, has been involved in a lawsuit where it was named as a Defendant, along with its CEO and transfer agent in Case Number 09-CA-030763, filed in the Circuit Court of Hillsborough County, Florida. The lawsuit was brought in the name of 31 individuals and 1 corporation. The lawsuit alleges that the Company, its CEO, and its transfer agent wrongfully refused to remove the restrictive legend from certain shares of the Company's common stock that are collectively owned by the plaintiffs, which prevented the plaintiffs from selling or transferring their shares of the Company's common stock. The plaintiffs allege that they have lost approximately \$1,041,000 as of the date of the lawsuit. Such lawsuit continued to a hearing of the Plaintiffs' motion for summary judgment against the Defendants including Seafarer, which was heard on September 1, 2011 and denied by the Court. Litigation of the matter has continued and the Company has presented evidence and arguments of law that the shares were distributed from their original recipient, Micah Eldred, in an illegal sale to another corporate entity. The Company further contends in its pleadings that such shares were then illegally purchased back by Eldred, then distributed in a manner by Eldred to others including the 31 other Plaintiffs to avoid reporting requirements under the Securities Act and as Eldred had a duty to report as a principal of a brokerage. The actions by Eldred, as pled by the Corporation, is that on or about October 8, 2008, Eldred gifted most of the 34,700,000 shares to certain friends, family, and employees (i.e., the Plaintiffs named in this Complaint), and kept ownership of 4,140,000 shares.

On September 11, 2013, the Parties attended a voluntary mediation, which ended in an impasse.

Some discovery had progressed to the point that Seafarer had, on September 25, 2013, filed a Motion to File Counterclaims and Third-Party Complaint ("Motion for Leave to File Counterclaim") along with a proposed Counterclaim. Such counterclaims were filed in December 2013. Included in the counterclaim was an allegation of conspiracy between Eldred and Sean Murphy for the publication of false information which Seafarer sued Murphy for and received a judgment for libel against Murphy on April 1, 2011 for \$5,080,000. Thus the counterclaim was filed against the Plaintiffs: Micah Eldred, Michael J. Daniels, Carl Dilley, Heather Dilley, James Eldred, Mary R. Eldred, Michole Eldred, Nathan Eldred, Toni A. Eldred, Diane J. Harrison, Ioulia Hess, Olessia Kritskaia, Anna Krokhina, George Lindner, Elizabeth Lizzano, Karen Lizzano, Robert Lizzano, Abby Lord, Jillian Mally, Ekaterina Messinger, Susan Miller, Michael Mona, Matthew J. Presy, Oksana Savchenko, Vanessa A. Verbosh, Alan Wolper, Sarah Wolper, and Christine Zitman. On April 23, 2014, the trial court ruled on the Counter-Claim Defendants' motion to dismiss and ordered the dismissal of the claims for section 517.301 violations, conspiracy and fraud. The court ruled that the Corporation did not have standing and was not in privity with the counter-claim defendants at the time of their alleged actions so the company could not maintain the action, unlike private shareholders who could have standing. Thus the Company attempted to protect the shareholders by such suit, but was ruled against as not having standing to do so.

On October 18, 2013, the Plaintiffs filed a Notice of Removal to Federal Court in the Tampa Division of the United States District Court, citing the allegation that such lawsuit should be moved to Federal Court based upon the Defendants proposed counterclaims of Federal law. The pleading for removal contained the allegation by the Plaintiffs

that they had the consent of all the listed Plaintiffs to remove the matter to Federal Court. On November 4, 2013, Seafarer filed a Motion to Remand back to State Court in the Federal Court, citing legal argument and the undisputed facts that removal to Federal Court was improper as having no basis in law, and asking for attorney's fees from the Plaintiffs for such removal. On November 7, 2013, Judge James Moody of the United States District Court entered an Order granting the Remand Motion of Seafarer, finding that "Plaintiffs removed the case based on their assumption that the counterclaim would establish federal jurisdiction. Plaintiffs' removal is patently without merit." Judge Moody further held "Plaintiffs' removal had no basis under the law or facts. Simply put, the removal was not objectively reasonable." Accordingly, the Court Ordered the case sent back to State Court and that the Federal Court would award Defendants [Seafarer] a reasonable amount of attorney's fees and costs." Seafarer collected such attorney's fees through counsel. Such case was remanded to the Circuit Court in Hillsborough County, where Seafarer had the motion to file the Counterclaims and Third Party Claims heard and an Order Granting the filing and service of such claims was made by Circuit Judge Paul Huey on December 13, 2013. Seafarer filed such complaint and served such Counterclaim Defendants and Third Party Defendants during the months of December 2013 and January 2014. Such complaint included claims by Seafarer for damages including punitive damages against the Plaintiffs for their actions, which is alleged to have materially damaged the Corporation and its shareholders. Such litigation continues and the Company will continue to fight the release of such shares for sale. It is the position of Seafarer that due to the actions involved with such shares, they are tainted and should be ordered to be cancelled. Seafarer intends to continuously pursue this defense.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 11 – LEGAL PROCEEDINGS - continued

In early October 2013, counsel for Seafarer was contacted by counsel representing the listed Plaintiff, CADEF: The Childhood Autism Foundation (CADEF), as to their being named in the lawsuit as Plaintiffs in the State Court action and the litigation being done in their name. Pursuant to those discussions, on November 5, 2013, Seafarer, Kyle Kennedy (individually), Cleartrust LLC and CADEF entered into a Settlement Agreement and Release from Litigation. CADEF agreed to surrender all rights to the 1,000,000 shares in its name, as well as causing dismissal of any such claims against the Seafarer, Kennedy and Cleartrust that had been brought in their name in the lawsuit. Specifically, CADEF agreed: “CADEF agrees that the following matters of fact exist based upon the knowledge of its Board of Directors and Principals: A) The Board of Directors of CADEF had no knowledge of the share certificate ever being issued for its benefit or the existence of such share certificate until recently in the month of October 2013 when such shares were sent to them. B) The Board of Directors of CADEF never authorized the filing of the lawsuit cited above or to be a party to such. C) Because of the above in B) CADEF’s Board of Directors was never advised of any settlement offer being made by the Defendants nor of the mediation held on September 11, 2013. On approximately October 30, 2013 CADEF delivered such 1,000,000 shares to counsel for Seafarer. Such shares were cancelled subsequently.

During the fall of 2014, the Company through counsel, conducted a number of depositions in the matter, including Micah Eldred and other parties. As well the Company filed three motions against the Defendants. Included in these motions were a motion to dismiss for fraudulent conduct in the naming of a party as a plaintiff which had no knowledge of the lawsuit, and failure to related settlement offers to the Plaintiffs. The second motion was for sanctions for intentional destruction of documentary evidence related to such shares. As to the second motion, the Court entered an order granting the motion for sanctions, finding that the Defendants had intentionally destroyed evidence, but the Court abated determining the sanctions until a later date. The third motion was to dismiss for fraudulent conduct, wherein the Plaintiffs allege that the Defendant, Eldred had made illicit offers to elicit false testimony. Both of the motions for sanctions are currently pending before the Court. As well in the first week of January 2015, the Defendants filed two simultaneous motions for summary judgment for dismissal of all counts in the case. That motion for summary judgment is currently pending before the Court.

In the ongoing litigation in the above case against Micah Eldred and associated persons to protect the interests of the shareholders, the Corporation followed up on its counter-claims against Eldred by the filing of a notice of appeal of the dismissal of such claims, to the Second District Court of Appeal for Florida on May 17, 2014. On May 29, 2014, the Company was served a secondary lawsuit in Hillsborough County. The lawsuit challenges the creation of the Preferred B Series of Shares and the increase in authorized shares. The lawsuit in the opinion of the Corporation and multiple counsel has no merit since the corporation’s articles of incorporation and Florida statutes allow for the creation of the preferred shares, and thus the increase in authorized shares. The Corporation is defending such lawsuit and seeking dismissal by motion and judgment through the motion for summary judgment.

On March 2, 2010, the Company filed a complaint naming, Sean Murphy as a Defendant who formerly provided services as a captain, diver, and general laborer to the Company as a defendant in the Circuit Court of Hillsborough County, Florida case number 10-CA-004674. The lawsuit contains numerous counts against the defendant, including civil theft, breach of contract, libel and negligence. On April 5, 2011, a six person jury in Hillsborough County, Florida found in favor of the Company and found that the Defendant was responsible for \$5,080,000 in compensatory damages. In 2012, the Company attempted to schedule a trial for the punitive damages, but the Court cancelled the trial due to scheduling of priority cases. The Company is currently seeking final entry of not only the judgment, but will be exercising collection matters against the Defendant. The Company intends to pursue collection, no matter the

ability of the Defendant to pay.

On June 18, 2013, Seafarer began litigation against Tulco Resources, LLC, in a lawsuit filed in the Circuit Court in and for Hillsborough County, Florida. Such suit was filed for against Tulco based upon for breach of contract, equitable relief and injunctive relief. Tulco was the party holding the rights under a permit to a treasure cite at Juno Beach, Florida. Tulco and Seafarer had entered into contracts in March 2008, and later renewed under an amended agreement on June 11, 2010. Such permit was committed to by Tulco to be an obligation and contractual duty to which they would be responsible for payment of all costs in order for the permit to be reissued. Such obligation is contained in the agreement of March 2008 which was renewed in the June 2010 agreement between Seafarer and Tulco. Tulco made the commitment to be responsible for payments of all necessary costs for the gaining of the new permit. Tulco never performed on such obligation, and Seafarer during the period of approximately March 2008 and April 2012 had endeavored and even had to commence a lawsuit to gain such permit which was awarded in April 2012. Seafarer alleges in their complaint the expenditure of large amounts of shares and monies for financing and for delays due to Tulco's non-performance. Seafarer seeks monetary damages and injunctive relief for the award of all rights held by Tulco to Seafarer. As of March 24, 2014, Seafarer, through Counsel with the assistance of a licensed investigator, established there was no party or individual to be served from Tulco due to the death of the former Manager, and having no other legal person or entity to serve, has established that it will seek the entry of a default judgment, and final judgment for award of all rights to such site for contractual and other rights held by Tulco. Seafarer gained a default and final Judgment on such matter on July 23, 2014. Seafarer is now working with the State for the renewed permit to be in Seafarer's name and rights only, with Tulco removed per the Order of the Court. On March 4, 2015, the Court awarded full rights to the Juno sight to Seafarer Exploration, erasing all rights of Tulco Resources. The company is currently filing an Admiralty Claim over such sight as well in the United States District Court.

On September 3, 2014, the Company filed a lawsuit against Darrel Volentine, of California. Mr. Volentine was sued in two counts of libel per se under Florida law, as well as a count for injunction against the Defendant to exclude and prohibit internet postings. Such lawsuit was filed in the Circuit Court in Hillsborough County, Florida. Such suit is based upon internet postings on www.investorshub.com. On or about October 15, 2014, the Company and Volentine entered into a stipulation whereby Volentine admitted to his tortious conduct, however the stipulated damages agreed to were rejected by the Court, and the Company is proceeding to trial on damages against Volentine in a non-jury trial on December 1, 2015. The Defendant is the subject of a contempt of court motion by the Company for continued internet postings and communications that violate his injunction imposed upon him, and the Company will be seeking further damages and an order of contempt against Mr. Volentine for a number of sanctions available.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2015:

In July of 2015, the Company entered into a convertible promissory note agreement in the amount of \$9,000 with an individual who is related to the Company's CEO. This loan pays interest at a rate of 6% per annum and the principle and accrued interest are due on or before January 14, 2016. The note is not secured and is convertible at the lender's option into shares of the Company's common stock at a rate of \$0.003 per share.

In August of 2015, an individual who is related to the Company's CEO entered into a subscription agreement to purchase 2,000,000 shares of the Company's restricted common stock at a price of \$0.002 per share and the Company received proceeds of \$4,000. Under the subscription agreement the related party investor received a warrant to purchase 2,000,000 shares of the Company's common stock at a price of 0.005 for a period of one year from the execution date of the subscription agreement.

In August of 2015, an individual who is related to the Company's CEO entered into a subscription agreement to purchase 750,000 shares of the Company's restricted common stock at a price of \$0.002 per share and the Company received proceeds of \$1,500. Under the subscription agreement the related party investor received a warrant to purchase 750,000 shares of the Company's common stock at a price of 0.01 for a period of eighteen months from the execution date of the subscription agreement.

Additional information:

In January of 2015, an individual who is related to the Company's CEO entered into a subscription agreement to purchase 350,000 shares of the Company's restricted common stock at a price of \$0.0032 per share and the Company received proceeds of \$1,120.

In January of 2015, the Company extended the term of a previous agreement with an individual who is related to the Company's CEO to continue serving as a member of the Company's Board of Directors. Under the agreement, the Director agreed to provide various services to the Company including making recommendations for both the short term and the long term business strategies to be employed by the Company, monitoring and assessing the Company's business and to advise the Company's Board of Directors with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, making suggestions to strengthen the Company's operations, identifying and evaluating external threats and opportunities to the Company, evaluating and making ongoing recommendations to the Board with respect for one year and may be terminated by either the Company or the Director by providing written notice to the other party. The agreement also terminates automatically upon the death, resignation or removal of the Director. Under the terms of the agreement, the Company agreed to pay the Director 8,000,000 restricted shares of its common stock and to negotiate future compensation on a year-by-year basis. The Company also agreed to reimburse the Director for pre-approved expenses. A portion of the 8,000,000 shares are included as an expense in consulting and contractor fees in the accompanying income statement and the remainder of the shares are going to be expensed over a twelve month period, these shares are included in the accompanying balance sheet as a prepaid expense.

In January of 2015, the Company extended the term of a previous agreement with an individual who is related to the Company's CEO to continue serving as a member of the Company's Board of Directors. Under the agreement, the Director agreed to provide various services to the Company including making recommendations for both the short

term and the long term business strategies to be employed by the Company, monitoring and assessing the Company's business and to advise the Company's Board of Directors with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, making suggestions to strengthen the Company's operations, identifying and evaluating external threats and opportunities to the Company, evaluating and making ongoing recommendations to the Board with respect for one year and may be terminated by either the Company or the Director by providing written notice to the other party. The agreement also terminates automatically upon the death, resignation or removal of the Director. Under the terms of the agreement, the Company agreed to pay the Director 6,000,000 restricted shares of its common stock and to negotiate future compensation on a year-by-year basis. The Company also agreed to reimburse the Director for pre-approved expenses. A portion of the 6,000,000 shares are included as an expense in consulting and contractor fees in the accompanying income statement and the remainder of the shares are going to be expensed over a twelve month period, these shares are included in the accompanying balance sheet as a prepaid expense.

In February, March and April of 2015, a related party shareholder provided an interest free loan to the Company in the amount of \$2,920. As of September 30, 2015, the loan balance outstanding to the related party shareholder was \$2,920.

In May of 2015, an individual who is related to the Company's CEO entered into a subscription agreement to purchase 5,000,000 shares of the Company's restricted common stock at a price of \$0.0032 per share and the Company received proceeds of \$16,000. The related party also received a warrant to purchase 5,000,000 shares of the Company's common stock at a price of \$0.005 for a period of eighteen months from the execution date of the subscription agreement.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – RELATED PARTY TRANSACTIONS - continued

The Company has an ongoing agreement with a limited liability company that is owned and controlled by a person who is related to the Company's CEO to provide stock transfer agency services. At September 30, 2015, the Company owed the related party limited liability company \$22,756 for transfer agency services rendered. The amount owed as of September 30, 2015 is included in the accompanying balance sheet under accrued payable and accrued expenses. In January 2015, the Company entered into a separate debt settlement agreement with the related party vendor to settle a total of \$62,936 of outstanding debt related to legal fees incurred by the related party vendor due to a lawsuit against the Company in which suit the related party vendor was also named as a defendant due to its position as the Company's stock transfer agency. The Company issued 15,734,068 shares of its common stock to this vendor as satisfaction for the outstanding debt. The agreement between the Company and the vendor stipulated that should the transfer agency realize less than \$62,936 from the sale of the stock, then the consultant is entitled to receive up to an additional 5,000,000 shares of common stock or a cash payment until the balance is paid in full. The related party limited liability company has also provided various corporate consulting, strategic planning and training under a separate consulting agreement that was entered into in March of 2014. All fees paid to the related party consultant during the period ended September 30, 2015 are included as an expense in consulting and contractor fees in the accompanying income statement for the period.

The Company has an ongoing verbal agreement with a limited liability company that is controlled by a person who is related to the Company's CEO to pay the related party consultant \$3,000 per month to provide general business consulting, industry research, monitoring and assessing the Company's business and to advise management with respect to an appropriate business strategy on an ongoing basis, commenting on proposed corporate decisions and identifying and evaluating alternative courses of action, perform background research including background checks and provide investigative information on individuals and companies and acting as an administrative specialist to perform various administrative duties and clerical services including reviewing the Company's agreements and books and records. The consultant provides the services under the direction and supervision of the Company's CEO. All fees paid to the related party consultant during the period ended September 30, 2015 are included as an expense in consulting and contractor fees in the accompanying income statement for the period.

At September 30, 2015 the following promissory notes and shareholder loans were outstanding to related parties:

A convertible note payable dated January 9, 2009 due to a person related to the Company's CEO with a face amount of \$10,000. This note bears interest at a rate of 10% per annum with interest payments to be paid monthly and is convertible at the note holder's option into the Company's common stock at \$0.015 per share. The convertible note payable was due on or before January 9, 2010 and is secured. This note is currently in default due to non-payment of principal and interest.

A convertible note payable dated January 25, 2010 in the principal amount of \$6,000 with a person who is related to the Company's CEO. This loan pays interest at a rate of 6% per annum and the principle and accrued interest were due on or before January 25, 2011. The note is not secured and is convertible at the lender's option into shares of the Company's common stock at a rate of \$0.005 per share. This note is currently in default due to non-payment of principal and interest.

A note payable dated February 24, 2010 in the principal amount of \$7,500 with a corporation. The Company's CEO is a director of the corporation and a former Director of the Company is an officer of the corporation. The loan is not secured and pays interest at a rate of 6% per annum and the principle and accrued interest were due on or before

February 24, 2011. This note is currently in default due to non-payment of principal and interest.

A convertible note payable dated January 18, 2012 in the amount of \$50,000 with two individuals who are related to the Company's CEO. This loan pays interest at a rate of 8% per annum and the principle and accrued interest were due on or before July 18, 2012. The note is secured and is convertible at the lender's option into shares of the Company's common stock at a rate of \$0.004 per share. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated January 19, 2013 due to a person related to the Company's CEO with a face amount of \$15,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.004 per share. The convertible note payable was due on or before July 30, 2013 and is not secured. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated July 26, 2013 due to a person related to the Company's CEO with a face amount of \$10,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.01 per share. The convertible note payable was due on or before January 26, 2014 and is not secured. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated January 17, 2014 due to a person related to the Company's CEO with a face amount of \$31,500. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.006 per share. The convertible note payable is due on or before July 17, 2015 and is not secured. The note is currently in default due to non-payment of principal and interest.

SEAFARER EXPLORATION CORP.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 12 – RELATED PARTY TRANSACTIONS - continued

A convertible note payable dated May 27, 2014 due to a person related to the Company's CEO with a face amount of \$7,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.007 per share. The convertible note payable was due on or before November 27, 2014 and is not secured. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated July 21, 2014 due to a person related to the Company's CEO with a face amount of \$17,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.008 per share. The convertible note payable was due on or before January 26, 2014 and is not secured. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated October 16, 2014 due to a person related to the Company's CEO with a face amount of \$21,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.0045 per share. The convertible note payable was due on or before April 16, 2015 and is not secured. The note is currently in default due to non-payment of principal and interest.

A convertible note payable dated July 14, 2015 due to a person related to the Company's CEO with a face amount of \$9,000. This note bears interest at a rate of 6% per annum with accrued interest to be paid at the time that the principal balance is repaid or the note is converted into shares of the Company's common stock. The note is convertible at the note holder's option into the Company's common stock at \$0.0045 per share. The convertible note payable was due on or before January 14, 2016 and is not secured.

A loan in the amount of \$2,920 to a related party shareholder. This loan does not bear interest and has no specific repayment terms.

NOTE 13 – SUBSEQUENT EVENTS

None.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

The following discussion contains certain forward-looking statements that are subject to business and economic risks and uncertainties, and which speak only as of the date of this annual report. No one should place strong or undue reliance on any forward-looking statements. The use in this Form 10-Q of such words as "believes", "plans", "anticipates", "expects", "intends", and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. The Company's actual results or actions may differ materially from these forward-looking statements for due to many factors and the success of the Company is dependent on our efforts and many other factors including, primarily, our ability to raise additional capital. Such factors include, among others, the following: our ability to continue as a going concern, general economic and business conditions; competition; success of operating initiatives; our ability to raise capital and the terms thereof; changes in business strategy or development plans; future revenues; the continuity, experience and quality of our management; changes in or failure to comply with government regulations or the lack of government authorization to continue our projects; and other factors referenced in the Form 10-Q. This Item should be read in conjunction with the financial statements, the related notes and with the understanding that the Company's actual future results may be materially different from what is currently expected or projected by the Company.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Such forward-looking statements are based on the beliefs and estimates of our management, as well as on assumptions made by and information currently available to us at the time such statements were made. Forward looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward looking statements, including, without limitation, the failure to successfully locate cargo and artifacts from the Juno Beach shipwreck site and a number of other risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements, either as a result of the matters set forth or incorporated in this Report generally and certain economic and business factors, some of which may be beyond our control.

We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Overview

General

The Company's principal business plan is to develop the infrastructure to engage in the archaeologically-sensitive exploration and recovery of historic shipwrecks. This type of business venture is extremely speculative in nature and there is a tremendous amount of risk that any capital invested in and/or borrowed by the Company will be lost.

It has been estimated that there are over three million undiscovered shipwrecks around the world and a few of these shipwrecks were lost with verifiable cargoes that contained valuable materials, including artifacts and treasure. However, the majority of these shipwrecks may have very little archaeological or historical value, and furthermore, a very high percentage of these shipwrecks would not have been carrying valuable cargo including artifacts or treasure of any kind.

The exploration and recovery of historic shipwrecks involves a multi-year, multi stage process. It may take many years and/or be prohibitively expensive to locate and recover valuable artifacts from historic shipwrecks. Locating and recovering valuable artifacts is difficult and the probability that the Company will locate valuable artifacts or treasure

is remote. If the Company is not able to locate artifacts or treasure with significant value then there is a high probability that the Company will fail and all capital invested in or borrowed by the Company will be lost.

Underwater recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions may occur that adversely affect the Company's operations. It is also possible that natural hazards may prevent or significantly delay search and recovery operations.

In addition to natural hazards, there are constant repair and maintenance issues with salvage vessels, which tend to be older vessels that were originally used in other industries which have been converted for use in shipwreck exploration and recovery. The repairs, maintenance and upkeep of this type of vessel, and in particular the Company's main salvage vessel, is very time consuming and expensive and there may be significant periods of vessel down time that result from lack of financing to make repairs to the vessel. In addition, the Company has leased additional vessels, which increase repair and maintenance expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

Furthermore, there are very strict international, federal and state laws that govern the exploration and recovery of historic shipwrecks. There is no guarantee that the Company will be able to secure permits or enter into agreements with government agencies in Florida or in other States in order to explore and salvage historic shipwrecks. There is a very substantial risk that government entities may enact legislation that is so strict that any recovery of artifacts and cargo from historic shipwrecks will be nearly impossible. Additionally, permits and agreements with governmental agencies to conduct historic shipwreck exploration and recovery operations are expensive, in terms of both direct costs and ongoing compliance costs. It is also entirely possible that the Company will not be successful in obtaining title or permission to excavate certain wrecks. It is possible that permits that are sought for potential future international projects may never be issued, and if issued, may not be legal or honored by the entities that issued them.

Even if the Company is able to obtain permits for shipwreck projects, there is a possibility that the shipwrecks may have already been salvaged or may not be found, or may not have had anything valuable on board at the time that they sank. It is the Company's intent to find shipwrecks which research suggest were not salvaged, but there can be no absolute guarantee of previous salvage. In the event that valuable artifacts are located and recovered, it is possible that the cost of recovery will be greater than the value of the artifacts recovered. It is also possible that other entities, including both private parties and governmental entities, will assert conflicting claims and challenge the Company's rights to the recovered artifacts.

Moreover, there is the possibility that should the Company be successful in locating and salvaging artifacts that have significant archeological and/or monetary value, a country whose ship was salvaged may attempt to claim ownership of the artifacts by pursuing litigation. In the event that the Company is able to make a valid claim to artifacts or other items at a shipwreck site, there is a risk of theft of such items at sea both before or after the recovery or while the artifacts are in transit to a safe destination as well as when stored in a secured location. Such thefts may not be adequately covered by insurance. Based on a number of these and other potential issues, the Company could spend a great deal of time and invest a large sum in a specific shipwreck project and receive very little or no salvage claim or revenue for its work.

There are a number of additional significant issues and challenges including, but not limited to, government regulation and/or the Company's inability to secure permits and contracts, lack of financing, lack of revenue and cash flow and continued losses from operations that make the exploration and recovery of historic shipwrecks a very speculative and risky business venture with a very high degree of risk that the Company may fail. There is a possibility that the Company will be forced to cease its operations if it is not successful in eventually locating valuable artifacts. If the Company were to cease its operations, then it is likely that there would be complete loss of all capital invested in or borrowed by the Company. As such, an investment in Seafarer is extremely speculative and of exceptionally high risk with a high probability that all capital invested in and/or borrowed by the Company may be lost.

There is currently a limited trading market for our securities. We cannot assure when and if an active-trading market in our shares will be established, or whether any such market will be sustained or sufficiently liquid to enable holders of shares of our common stock to liquidate their investment in our company. The sale of unregistered and restricted securities by current shareholders, including shares issued to consultants and shares issued to settle convertible promissory notes and to settle debt, may cause a significant drop in the market price of the Company's securities.

Accordingly, an investment in our securities is highly speculative and extremely risky and should only be considered by those investors who do not require liquidity and who can afford to suffer a total loss of their investment. An investor should consider consulting with professional advisers before making an investment in securities.

Plan of Operation

During the periods ended September 30, 2015 and 2014, the Company has taken the following steps to implement its business plan:

- To date, the Company has devoted its time towards establishing its business to develop the infrastructure capable of exploring, salvaging and recovering historic shipwrecks. The Company has also performed some exploration and recovery activities.
- Spent considerable time researching potential shipwrecks including obtaining information from foreign archives.
- Although the Company has not generated revenues to date our development activities continue to evolve.

The Company has evaluated various opportunities to enter into agreements or contracts to conduct exploration and recovery operations at known historic shipwreck locations or potential locations. The Company has previously spent some of its efforts exploring what it believes is a historic shipwreck site located off of Juno Beach, Florida. As previously noted on its form 8-K filed on May 9, 2011, the Company and Tulco Resources received a 1A-31 Recovery Permit from the Florida Division of Historical Resources. The Recovery Permit was active through April 25, 2014. The Permit authorizes Seafarer to dig and recover artifacts from the designated site at Juno Beach, Florida. It will be necessary for the Company to obtain a renewal to the Recovery Permit for the Juno Beach shipwreck site in order to continue to perform exploration and recovery work at the site after April 25, 2014. Currently Management believes that the permit with the Florida Division of Historical Resources is in the renewal process and if renewed will be solely in the name of Seafarer Exploration Corp. under a judge's order. The potential renewal permit, while in process, has not been issued as of the filing of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

The Juno Beach Shipwreck site is a speculative and highly risky project as far as the potential for the Company to ever locate valuable artifacts or treasure. Although the Company has recovered various artifacts that it believes are interesting, it has not located artifacts and/or treasure of any significant value from the Juno Beach Shipwreck site. There is also the possibility that there are no artifacts of significant value located at the Juno Beach shipwreck site. Even if there are valuable artifacts and/or treasure located at the site, recovering them may be extremely difficult or impossible due to a variety of challenges that include, but are not limited to; inclement weather, hazardous ocean conditions, large amounts of sand that cover large areas of the site, lack the necessary equipment to be able to dig deep enough into the sand, ongoing maintenance and repair issues with the Company's main salvage vessel, permitting issues and/or a lack of financing, etc. Additionally, Management believes the previous partner, Tulco Resources, deleted a significant portion of the 2003 magnetometer survey which may contain portions of the wreck itself. The Company is currently in the process of performing additional research and a cesium vapor magnetometer survey of the deleted area.

Moreover, the Company does not currently have sufficient data to positively identify the potential Juno Beach shipwreck, or its country of origin, and it is therefore not possible to determine whether or not the ship was originally carrying cargo of any significant value. Only remnants and scattered pieces of a sunken ship have been located to date; no main shipwreck body has been located. It is also possible, although there is no proof suggesting this, that a ship began to break up on the site but the body of the ship actually sank in another area that is outside of the designated Juno Beach site area and all that was left on the Juno Beach site were scattered remnants of the original ship that have little or no archeological or actual value. There is a possibility that there are no artifacts of significant value located on the Juno Beach shipwreck site.

There is a historic shipwreck site located off of Lantana Beach Florida in which the Company has received a three stage permit from the Florida Division of Historical Resources. The permit is for three years starting in November 2012 and ending in November 2015. The permit may be renewed at the end of the third year, although this will not happen because the Company has determined the wreck is an 1870's composite ship and has cancelled the permit with the State. Phase 1 of the permit has been completed. The Company's plan was to salvage the site in an archeologically sensitive manner once Phase 2 has been completed. An archeologist with the technical skills, knowledge, and experience from around the world was hired to help insure the integrity of the work.

Under the permit, the Company began remote sensing at the site with a cesium vapor magnetometer and did underwater exploration. Once the remote sensing was completed and the data analyzed, the Exploration permit moved to Phase 2, dig and identify. During Phase 2, testing was done which confirmed a mid to late 18th century shipwreck. Upon further testing, management believes a 1600s era shipwreck potentially exists, but not within the currently permitted area. Due to other developments and projects the Company is not pursuing Phase 3 at the Lantana site at this time and has terminated its permit with the Florida Division of Historical Resources for this site.

There is a purported historic shipwreck site in the waters off of Brevard County Florida that the Company desires to explore. In February 2013, the Company signed an agreement with a third party who has previously explored this site for the right to explore the site. On March 1, 2014, Seafarer entered into a partnership and ownership with Marine Archaeology Partners, LLC, with the formation of Seafarer's Quest, LLC. Such LLC was formed in the State of Florida for the purpose of permitting, exploration and recovery of artifacts from a designated area on the east coast of Florida. Such site area is from a defined, contracted area by a separate entity, which a portion of such site is designated from a previous contracted holding through the State of Florida. Under such agreement, Seafarer is responsible for costs of permitting, exploration and recovery, and is entitled to 60% of such artifact recovery. Seafarer has a 50% ownership, with designated management of the LLC coming from Seafarer. Further actions toward expanding the permitted area have been taken for such site and the Company and partnership are awaiting the issuance

of such permits by the State of Florida. There are a significant number of challenges inherent in the exploration and salvage of historic shipwrecks, including the possibility that the Company will never find artifacts of value at the site.

On July 28, 2014, Seafarer's Quest, LLC received a 1A-31 Dig and Identify Permit (the "Permit") from the Florida Division of Historical Resources for an area identified off of Cape Canaveral, Florida. The Permit is active for three years from the date of issuance. The Company has been primarily focusing its operations on this site when the weather permits. In addition to the Company's main salvage vessel, the Company has utilized additional owned and rented vessels in order to perform search and recovery operations at this site. Inclement weather and difficult sea conditions have hampered the Company's ability to perform exploration operations at this site to date. The Company has applied for permits from the State of Florida for two additional areas that were formerly permitted solely by an affiliate of Marine Archeological Partners, LLC. These permits have not been issued as of the filing date of this report.

The Company regularly reviews opportunities to perform exploration and recovery operations at purported historic shipwreck sites; however the Company does not have any specific plans to perform exploration and recovery operations at other shipwreck sites at the present time. The Company is actively reviewing other potential historic shipwreck sites, including sites located internationally, for possible exploration and recovery. Seafarer is also continuing to build relationships in Cuba with its educational and humanitarian efforts. Seafarer is currently working on an educational video already completely filmed in Cuba in anticipation of the potential end of the embargo. Should the Company decide that it will pursue exploration and salvage activities at other potential shipwreck sites it may be necessary to obtain various salvage permits as well as environmental permits.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

If the Company is not able to perform any exploration or recovery operations, then it may have to suspend or cease its operations. If the Company ceases its previously stated efforts, there are currently no plans to pursue other business opportunities.

Limited Operating History

The Company has not currently generated any revenue from operations and does not expect to report any significant revenue from operations for the foreseeable future.

At September 30, 2015, the Company had a working capital deficit of \$961,164. The Company is in immediate need of further working capital and is seeking options, with respect to financing, in the form of debt, equity or a combination thereof.

Since inception, the Company has funded its operations through common stock issuances and loans in order to meet its strategic objectives; however, there can be no assurance that the Company will be able to obtain further funds to continue with its efforts to establish a new business. There is a very significant risk that the Company will be unable to obtain financing to fund its operation and as such the Company may be forced to cease operations at any time which would likely result in a complete loss of all capital that has been invested in and/or borrowed by the Company to date.

The Company expects to continue to incur significant operating losses and to generate negative cash flow from operating activities, while building out its infrastructure in order to explore and salvage historic shipwreck sites and establishing itself in the marketplace. Based on our historical rate of expenditures, the Company expects to expend its available cash in less than one month from November 20, 2015.

The Company's ability to eliminate operating losses and to generate positive cash flow from operations in the future will depend upon a variety of factors, many of which it is unable to control. If the Company is unable to implement its business plan successfully, it may not be able to eliminate operating losses, generate positive cash flow or achieve or sustain profitability, which may have a material adverse effect on the Company's business, operations, and financial results, as well as its ability to make payments on its debt obligations, and the Company may be forced to cease operations.

The Company's lack of operating cash flow and reliance on the sale of its common stock and loans to fund operations is extremely risky. If the Company is unable to continue to raise capital or obtain loans or other financing on terms that are acceptable to the Company, or at all, then it is highly likely that the Company will be forced to cease operations. If the Company ceases its operations, then it is likely that all capital invested in and/or borrowed by the Company will be lost.

Summary of Nine Months Ended September 30, 2015 Results of Operations

The Company's net loss for the nine month period ended September 30, 2015 was \$736,738 as compared to a net loss of \$1,572,977 during the nine month period ended September 30, 2014. The 53% decrease in the net loss for the nine month period ended September 30, 2015 was due to a significant decrease in interest and decreases in consulting and contractor expenses, professional fees, vessel repair and maintenance expenses and travel expenses. Interest expense for the nine month period ended September 30, 2015 was income of \$72,599 versus an expense of \$624,425 for the nine month period ended September 30, 2015. The decrease in interest expense, net in 2015 was due to the fair value measurement of several convertible notes. During the nine month period ended September 30, 2015, the Company

incurred consulting related expenses of \$479,834 versus \$568,343 during the nine month period ended September 30, 2014, a decrease of 15.5%. The decrease in consulting and contractor fees in 2015 was largely a result of overall lower amounts of stock based compensation paid to consultants. During the nine month period ended September 30, 2015, the Company incurred professional fees of \$62,754 as compared to \$118,864 during the nine month period ended September 30, 2014, a decrease of 47%. The decrease in professional fees in 2015 was mostly due to a reduction in stock based compensation paid for legal services and for other professional consulting services. During the nine month period ended September 30, 2015, the Company incurred vessel related expenses of \$41,223 versus \$72,197 during the nine month period ended September 30, 2014, a decrease of approximately 43%. The 43% decrease in vessel expenses was due to fewer overall significant maintenance issues with the Company's primary salvage vessel in 2015. The Company has tried to keep repair costs lower for its main salvage vessel by being more proactive with vessel maintenance, however due to the advancing age of the vessel the Company anticipates that it will continue to require repairs and in some cases major unforeseen repairs. Travel and entertainment expenses decreased approximately 56%, from \$112,788 for the nine month period ended September 30, 2014 to \$50,044 for the nine month period ended September 30, 2015. The decrease in travel and entertainment expenses was generally due to the Company not having to pay for hotel lodging expenses on a regular basis for several of its independent contract divers and operations personnel as a result of renting an operations house where personnel are able to stay while performing services for the Company. During the nine month period ended September 30, 2015, the Company general and administrative expenses were \$109,093 as compared to \$34,214 during the nine month period ended September 30, 2014, an increase of approximately 219%. Rent expense was \$40,901 for the nine month period ended September 30, 2015 versus \$15,558 for the same period in 2014, an increase of nearly 163%. Rent expense increased in 2015 largely due to the Company leasing an operations house to store equipment and gear and to provide temporary work-related living quarters for its divers, personnel, consultants and contractors involved in its exploration and recovery operations

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

Summary of Three Months Ended September 30, 2015 Results of Operations

The Company's net loss for the three month period ended September 30, 2015 was \$326,116 as compared to a net loss of \$529,724 during the three month period ended September 30, 2014. The 38% decrease in the net loss for the three month period ended September 30, 2015 was primarily attributable to a decrease in interest expense and a decrease in consulting and contractor expenses, professional fees, vessel expenses, and travel and entertainment expenses. Interest expense for the three month period ended September 30, 2015 was \$135,227 versus \$180,819 for the three month period ended September 30, 2014. The approximate 25% decrease in income (expense), net in 2015 was due to the fair value measurement of certain convertible notes. During the three month period ended September 30, 2015, the Company incurred consulting and independent contractor related expenses of \$125,787 versus \$199,480 during the three month period ended September 30, 2014, a decrease of 37%. The 37% decrease in consulting and independent contractor related expenses was due to a decrease in stock based compensation paid to consultants and independent contractors during the three month period in 2015. During the three month period ended September 30, 2015, the Company incurred professional fees of \$12,375 as compared to \$43,517 during the three month period ended September 30, 2014, a decrease of 71.5%. During the three month period ended September 30, 2015, the Company incurred travel and entertainment expenses of \$13,711 versus \$46,322 during the three month period ended September 30, 2014, a decrease of 70%. The decrease in travel and entertainment expenses was generally due to the Company not having to pay for hotel lodging expenses on a regular basis for several of its independent contract divers and operations personnel as a result of renting an operations house where personnel are able to stay while performing services for the Company. During the three month period ended September 30, 2015, the Company's general and administrative expenses were \$3,290 as compared to \$13,134 during the three month period ended September 30, 2014, a decrease of 75%. During the three month period ended September 30, 2015, the Company incurred vessel related expenses of \$14,431 versus \$30,428 during the three month period ended September 30, 2014, a decrease of approximately 53%. The approximate 53% decrease in vessel expenses was due to fewer overall maintenance issues with the Company's primary salvage vessel in 2015, however as the vessel is an older ship it continues to require constant maintenance and upkeep that is very expensive.

Lack of Revenues and Cash Flow/Significant Losses from Operations

It is extremely challenging to build a publicly traded historic shipwreck exploration and recovery company. The exploration and recovery of historic shipwrecks requires a multi-year, multi stage process and it may be many years before any revenue is generated from exploration and recovery activities, if ever. The Company believes that it may be several years before it is able to generate any cash flow from its operations, if any are ever generated at all. Without revenues and cash flow the Company does not have any steady cash flow to pay its expenses. The Company relies on outside financing in the form of equity and debt and it is possible that the Company may not be able to obtain outside financing in the future. If the Company is not able to obtain financing it would more than likely be forced to cease operations and all of the capital that has been invested in or borrowed by the Company would likely be lost.

The Company has experienced a net loss in every fiscal year since the reverse merger in 2008. The Company's losses from operations were \$809,337 for the nine months ended September 30, 2015 and \$947,452 for the nine months ended September 30, 2014. The Company believes that it will continue to generate losses from its operation for the foreseeable future and the Company may not be able to generate a profit in the long-term, or ever.

Liquidity and Capital Resources

At September 30, 2015, the Company had cash in the bank of \$3,601. During the nine month period ended September 30, 2015 the Company incurred net losses of \$736,738. At September 30, 2015, the Company had \$67,906 in current

assets and \$1,029,070 in current liabilities, leaving the Company with a working capital deficit of \$961,164.

Lack of Liquidity

A major financial challenge and significant risk facing the Company is a lack of liquidity. The company continued to operate with significant debt and a working capital deficit during the three and nine month periods ended September 30, 2015. This working capital deficit indicates that the Company is unable to meet its short-term liabilities with its current assets. This working capital deficit is extremely risky for the Company as it may be forced to cease its operations due to its inability to meet all of its current obligations. If the Company is forced to cease its operations then it is highly likely that all capital invested in and/or borrowed by the Company will be lost.

The expenses associated with being a small publicly traded company attempting to develop the infrastructure to explore and salvage historic shipwrecks recovery are extremely prohibitive, especially given that the Company does not currently generate any revenues and does not expect to generate any revenues in the near future. There are ongoing expenses associated with operations that are incurred whether the Company is conducting shipwreck recovery operations or not. Vessel maintenance, particularly for an older vessel such as the Company's main salvage vessel, upkeep expenses and docking fees are continuous and unavoidable regardless of the Company's operational status. These repairs and maintenance are expensive and a drain on the Company's cash.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

In addition to the operations expenses, a publicly traded company also incurs the significant recurring corporate expenses related to maintaining publicly traded status, which include, but are not limited to accounting, legal, audit, executive, administrative, corporate communications, rent, etc. The recurring expenses associated with being a publicly traded company are very burdensome for smaller public companies such as Seafarer. This lack of liquidity creates a very risky situation for the Company in terms of its ability to continue operating, which in turn makes owning shares of the Company's common stock extremely risky and highly speculative. The Company's lack of liquidity may cause the Company to be forced to cease operations at any time which would likely result in a complete loss of all capital invested in or borrowed by the Company to date.

Due to the fact that the Company does not generate any revenues and does not expect to generate revenues for the foreseeable future the Company must rely on outside equity and debt funding. The combination of the ongoing operational, even during times when there is little or no exploration or salvage activities taking place, and corporate expenses as well as the need for outside financing creates a very risky situation for the Company and its shareholders. This working capital shortfall and lack of access to cash to fund corporate activities is extremely risky and may force the Company to cease its operations which would more than likely result in a complete loss of all capital invested in or loaned to the Company to date.

Lack of Revenues and Cash Flow/Significant Losses from Operations

The exploration and recovery of historic shipwrecks requires a multi-year, multi stage process and it may be many years before any revenue is generated from exploration and recovery activities, if ever. The Company believes that it may be several years before it is able to generate any cash flow from its operations, if any are ever generated at all. Without revenues and cash flow the Company does not have reliable cash flow to pay its expenses. The Company relies on outside financing in the form of equity and debt and it is possible that the Company may not be able to obtain outside financing in the future. If the Company is not able to obtain financing it would more than likely be forced to cease operations and all of the capital that has been invested in or borrowed by the Company would be lost.

Convertible Notes Payable and Notes Payable, in Default

At September 30, 2015, the Company had convertible notes payable and notes payable with a face value of \$789,800 of which \$571,300 were in default.

The Company does not have additional sources of debt financing to refinance its convertible notes payable and notes payable that are currently in default. If the Company is unable to obtain additional capital, such lenders may file suit, including suit to foreclose on the assets held as collateral for the obligations arising under the secured notes. If any of the lenders file suit to foreclose on the assets held as collateral, then the Company may be forced to significantly scale back or cease its operations which would more than likely result in a complete loss of all capital that has been invested in or borrowed by the Company. The fact that the Company is in default regarding several loans held by various lenders makes investing in the Company or providing any loans to the Company extremely risky with a very high potential for a complete loss of capital.

The convertible notes that have been issued by the Company are convertible at the lender's option. These convertible notes represent significant potential dilution to the Company's current shareholders as the convertible price of these notes is generally lower than the current market price of the Company's shares. As such when these notes are converted into equity there is typically a highly dilutive effect on current shareholders and very high probability that such dilution may significantly negatively affect the trading price of the Company's common stock. Furthermore, management intends to have discussions or has already had discussions with several of the promissory note holders

who do not currently have convertible notes regarding converting their notes into equity. Any such amended agreements to convert promissory notes into equity would more than likely have a highly dilutive effect on current shareholders and there is a very high probability that such dilution may significantly negatively affect the trading price of the Company's common stock. Some of these note holders have already amended their non-convertible notes to be convertible and converted the notes into equity. Based on conversations with other note holders, the Company believes that additional note holders will amend their notes to contain a convertibility clause and eventually convert the notes into equity.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities (see Note 3, Summary of Significant Accounting Policies, contained in the notes to the Company's financial statements for the periods ended September 30, 2015 and 2014.) On an ongoing basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates based upon different assumptions or conditions; however, we believe that our estimates are reasonable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

Management is aware that certain changes in accounting estimates employed in generating financial statements can have the effect of making the Company look more or less profitable than it actually is. Management does not believe that either the Company or its auditors have made any such changes in accounting estimates.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4T. Controls and Procedures

Management's Responsibility for Controls and Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's controls over financial reporting are designed under the supervision of the Company's Principal Executive Officer/Principal Financial Officer to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is accumulated and communicated to the Company's management, including the Company's principal executive officer/principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act, as of September 30, 2015. Based on this evaluation, management concluded that our financial disclosure controls and procedures were not effective so as to timely record, process, summarize and report financial information required to be included on our Securities and Exchange Commission ("SEC") reports due to the Company's limited internal resources and lack of ability to have multiple levels of transaction review. However, as a result of our evaluation and review process, management believes that the financial statements and other information presented herewith are materially correct.

The management including its Principal Executive Officer/Principal Financial Officer, does not expect that its disclosure controls and procedures, or its internal controls over financial reporting will prevent all error and all fraud. A control system no matter how well conceived and operated, can provide only reasonable not absolute assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

The Company has limited resources and as a result, a material weakness in financial reporting currently exists, because of our limited resources and personnel, including those described below.

- * The Company has an insufficient quantity of dedicated resources and experienced personnel involved in reviewing and designing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.
- * We have not achieved the optimal level of segregation of duties relative to key financial reporting functions.
- * We do not have an audit committee or an independent audit committee financial expert. While not being legally obligated to have an audit committee or independent audit committee financial expert, it is the managements view that to have audit committee, comprised of independent board members, and an independent audit committee financial expert is an important entity-level control over the Company's financial statements.
- * We have not achieved an optimal segregation of duties for executive officers of the Company.

Item 4T. Controls and Procedures - continued

A material weakness is a deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) auditing standard 5) or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has determined that a material weakness exists due to a lack of segregation of duties, resulting from the Company's limited resources and personnel.

Remediation Efforts to Address Deficiencies in Disclosure Controls and Procedures

As a result of these findings, management, upon obtaining sufficient capital and operations, intends to take practical, cost-effective steps in implementing internal controls, including the possible remedial measures set forth below. As of September 30, 2015 we did not have sufficient capital and/or operations to implement any of the remedial measures described below.

- * Assessing the current duties of existing personnel and consultants, assigning additional duties to existing personnel and consultants, and, in a cost effective manner, potentially hiring additional personnel to assist with the preparation of the Company's financial statements to allow for proper segregation of duties, as well as additional resources for control documentation.
- * Assessing the duties of the existing officers of the Company and, in a cost effective manner, possibly promote or hire additional personnel to diversify duties and responsibilities of such executive officers.
- * Board to review and make recommendations to shareholders concerning the composition of the Board of Directors, with particular focus on issues of independence. The Board of Directors will consider nominating an audit committee and audit committee financial expert, which may or may not consist of independent members.

(b) Change in Internal Control Over Financial Reporting

The Company has not made any change in our internal control over financial reporting during the period ended September 30, 2015.

Part II. Other Information

Item 1. Legal Proceedings

Since December 11, 2009, the Company, has been involved in a lawsuit where it was named as a Defendant, along with its CEO and transfer agent in Case Number 09-CA-030763, filed in the Circuit Court of Hillsborough County, Florida. The lawsuit was brought in the name of 31 individuals and 1 corporation. The lawsuit alleges that the Company, its CEO, and its transfer agent wrongfully refused to remove the restrictive legend from certain shares of the Company's common stock that are collectively owned by the plaintiffs, which prevented the plaintiffs from selling or transferring their shares of the Company's common stock. The plaintiffs allege that they have lost approximately \$1,041,000 as of the date of the lawsuit. Such lawsuit continued to a hearing of the Plaintiffs' motion for summary judgment against the Defendants including Seafarer, which was heard on September 1, 2011 and denied by the Court. Litigation of the matter has continued and the Company has presented evidence and arguments of law that the shares were distributed from their original recipient, Micah Eldred, in an illegal sale to another corporate entity. The Company further contends in its pleadings that such shares were then illegally purchased back by Eldred, then distributed in a manner by Eldred to others including the 31 other Plaintiffs to avoid reporting requirements under the Securities Act and as Eldred had a duty to report as a principal of a brokerage. The actions by Eldred, as pled by the Corporation, is that on or about October 8, 2008, Eldred gifted most of the 34,700,000 shares to certain friends, family, and employees (i.e., the Plaintiffs named in this Complaint), and kept ownership of 4,140,000 shares.

On September 11, 2013, the Parties attended a voluntary mediation, which ended in an impasse.

Some discovery had progressed to the point that Seafarer had, on September 25, 2013, filed a Motion to File Counterclaims and Third-Party Complaint ("Motion for Leave to File Counterclaim") along with a proposed Counterclaim. Such counterclaims were filed in December 2013. Included in the counterclaim was an allegation of conspiracy between Eldred and Sean Murphy for the publication of false information which Seafarer sued Murphy for and received a judgment for libel against Murphy on April 1, 2011 for \$5,080,000. Thus the counterclaim was filed against the Plaintiffs: Micah Eldred, Michael J. Daniels, Carl Dilley, Heather Dilley, James Eldred, Mary R. Eldred, Michole Eldred, Nathan Eldred, Toni A. Eldred, Diane J. Harrison, Ioulia Hess, Olessia Kritskaia, Anna Krokhina, George Lindner, Elizabeth Lizzano, Karen Lizzano, Robert Lizzano, Abby Lord, Jillian Mally, Ekaterina Messinger, Susan Miller, Michael Mona, Matthew J. Presy, Oksana Savchenko, Vanessa A. Verbosh, Alan Wolper, Sarah Wolper, and Christine Zitman. On April 23, 2014, the trial court ruled on the Counter-Claim Defendants' motion to dismiss and ordered the dismissal of the claims for section 517.301 violations, conspiracy and fraud. The court ruled that the Corporation did not have standing and was not in privity with the counter-claim defendants at the time of their alleged actions so the company could not maintain the action, unlike private shareholders who could have standing. Thus the Company attempted to protect the shareholders by such suit, but was ruled against as not having standing to do so.

On October 18, 2013, the Plaintiffs filed a Notice of Removal to Federal Court in the Tampa Division of the United States District Court, citing the allegation that such lawsuit should be moved to Federal Court based upon the Defendants proposed counterclaims of Federal law. The pleading for removal contained the allegation by the Plaintiffs that they had the consent of all the listed Plaintiffs to remove the matter to Federal Court. On November 4, 2013, Seafarer filed a Motion to Remand back to State Court in the Federal Court, citing legal argument and the undisputed facts that removal to Federal Court was improper as having no basis in law, and asking for attorney's fees from the Plaintiffs for such removal. On November 7, 2013, Judge James Moody of the United States District Court entered an Order granting the Remand Motion of Seafarer, finding that "Plaintiffs removed the case based on their assumption that the counterclaim would establish federal jurisdiction. Plaintiffs' removal is patently without merit." Judge Moody further held "Plaintiffs' removal had no basis under the law or facts. Simply put, the removal was not objectively reasonable." Accordingly, the Court Ordered the case sent back to State Court and that the Federal Court would award

Defendants [Seafarer] a reasonable amount of attorney's fees and costs." Seafarer collected such attorney's fees through counsel. Such case was remanded to the Circuit Court in Hillsborough County, where Seafarer had the motion to file the Counterclaims and Third Party Claims heard and an Order Granting the filing and service of such claims was made by Circuit Judge Paul Huey on December 13, 2013. Seafarer filed such complaint and served such Counterclaim Defendants and Third Party Defendants during the months of December 2013 and January 2014. Such complaint included claims by Seafarer for damages including punitive damages against the Plaintiffs for their actions, which is alleged to have materially damaged the Corporation and its shareholders. Such litigation continues and the Company will continue to fight the release of such shares for sale. It is the position of Seafarer that due to the actions involved with such shares, they are tainted and should be ordered to be cancelled. Seafarer intends to continuously pursue this defense.

In early October 2013, counsel for Seafarer was contacted by counsel representing the listed Plaintiff, CADEF: The Childhood Autism Foundation (CADEF), as to their being named in the lawsuit as Plaintiffs in the State Court action and the litigation being done in their name. Pursuant to those discussions, on November 5, 2013, Seafarer, Kyle Kennedy (individually), Cleartrust LLC and CADEF entered into a Settlement Agreement and Release from Litigation. CADEF agreed to surrender all rights to the 1,000,000 shares in its name, as well as causing dismissal of any such claims against the Seafarer, Kennedy and Cleartrust that had been brought in their name in the lawsuit. Specifically, CADEF agreed: "CADEF agrees that the following matters of fact exist based upon the knowledge of its Board of Directors and Principals: A) The Board of Directors of CADEF had no knowledge of the share certificate ever being issued for its benefit or the existence of such share certificate until recently in the month of October 2013 when such shares were sent to them. B) The Board of Directors of CADEF never authorized the filing of the lawsuit cited above or to be a party to such. C) Because of the above in B) CADEF's Board of Directors was never advised of any settlement offer being made by the Defendants nor of the mediation held on September 11, 2013. On approximately October 30, 2013 CADEF delivered such 1,000,000 shares to counsel for Seafarer. Such shares were cancelled subsequently.

Item 1. Legal Proceedings - continued

During the fall of 2014, the Company through counsel, conducted a number of depositions in the matter, including Micah Eldred and other parties. As well the Company filed three motions against the Defendants. Included in these motions were a motion to dismiss for fraudulent conduct in the naming of a party as a plaintiff which had no knowledge of the lawsuit, and failure to related settlement offers to the Plaintiffs. The second motion was for sanctions for intentional destruction of documentary evidence related to such shares. As to the second motion, the Court entered an order granting the motion for sanctions, finding that the Defendants had intentionally destroyed evidence, but the Court abated determining the sanctions until a later date. The third motion was to dismiss for fraudulent conduct, wherein the Plaintiffs allege that the Defendant, Eldred had made illicit offers to elicit false testimony. Both of the motions for sanctions are currently pending before the Court. As well in the first week of January 2015, the Defendants filed two simultaneous motions for summary judgment for dismissal of all counts in the case. That motion for summary judgment is currently pending before the Court.

In the ongoing litigation in the above case against Micah Eldred and associated persons to protect the interests of the shareholders, the Corporation followed up on its counter-claims against Eldred by the filing of a notice of appeal of the dismissal of such claims, to the Second District Court of Appeal for Florida on May 17, 2014. On May 29, 2014, the Company was served a secondary lawsuit in Hillsborough County. The lawsuit challenges the creation of the Preferred B Series of Shares and the increase in authorized shares. The lawsuit in the opinion of the Corporation and multiple counsel has no merit since the corporation's articles of incorporation and Florida statutes allow for the creation of the preferred shares, and thus the increase in authorized shares. The Corporation is defending such lawsuit and seeking dismissal by motion and judgment through the motion for summary judgment.

On March 2, 2010, the Company filed a complaint naming, Sean Murphy as a Defendant who formerly provided services as a captain, diver, and general laborer to the Company as a defendant in the Circuit Court of Hillsborough County, Florida case number 10-CA-004674. The lawsuit contains numerous counts against the defendant, including civil theft, breach of contract, libel and negligence. On April 5, 2011, a six person jury in Hillsborough County, Florida found in favor of the Company and found that the Defendant was responsible for \$5,080,000 in compensatory damages. In 2012, the Company attempted to schedule a trial for the punitive damages, but the Court cancelled the trial due to scheduling of priority cases. The Company is currently seeking final entry of not only the judgment, but will be exercising collection matters against the Defendant. The Company intends to pursue collection, no matter the ability of the Defendant to pay.

On June 18, 2013, Seafarer began litigation against Tulco Resources, LLC, in a lawsuit filed in the Circuit Court in and for Hillsborough County, Florida. Such suit was filed for against Tulco based upon for breach of contract, equitable relief and injunctive relief. Tulco was the party holding the rights under a permit to a treasure cite at Juno Beach, Florida. Tulco and Seafarer had entered into contracts in March 2008, and later renewed under an amended agreement on June 11, 2010. Such permit was committed to by Tulco to be an obligation and contractual duty to which they would be responsible for payment of all costs in order for the permit to be reissued. Such obligation is contained in the agreement of March 2008 which was renewed in the June 2010 agreement between Seafarer and Tulco. Tulco made the commitment to be responsible for payments of all necessary costs for the gaining of the new permit. Tulco never performed on such obligation, and Seafarer during the period of approximately March 2008 and April 2012 had endeavored and even had to commence a lawsuit to gain such permit which was awarded in April 2012. Seafarer alleges in their complaint the expenditure of large amounts of shares and monies for financing and for delays due to Tulco's non-performance. Seafarer seeks monetary damages and injunctive relief for the award of all rights held by Tulco to Seafarer. As of March 24, 2014, Seafarer, through Counsel with the assistance of a licensed investigator, established there was no party or individual to be served from Tulco due to the death of the former Manager, and having no other legal person or entity to serve, has established that it will seek the entry of a default judgment, and final judgment for award of all rights to such site for contractual and other rights held by Tulco.

Seafarer gained a default and final Judgment on such matter on July 23, 2014. Seafarer is now working with the State for the renewed permit to be in Seafarer's name and rights only, with Tulco removed per the Order of the Court. On March 4, 2015, the Court awarded full rights to the Juno sight to Seafarer Exploration, erasing all rights of Tulco Resources. The company is currently filing an Admiralty Claim over such sight as well in the United States District Court.

On September 3, 2014, the Company filed a lawsuit against Darrel Volentine, of California. Mr. Volentine was sued in two counts of libel per se under Florida law, as well as a count for injunction against the Defendant to exclude and prohibit internet postings. Such lawsuit was filed in the Circuit Court in Hillsborough County, Florida. Such suit is based upon internet postings on www.investorshub.com. On or about October 15, 2014, the Company and Volentine entered into a stipulation whereby Volentine admitted to his tortious conduct, however the stipulated damages agreed to were rejected by the Court, and the Company is proceeding to trial on damages against Volentine in a non-jury trial on December 1, 2015. The Defendant is the subject of a contempt of court motion by the Company for continued internet postings and communications that violate his injunction imposed upon him, and the Company will be seeking further damages and an order of contempt against Mr. Volentine for a number of sanctions available.

Item 1A. Risk Factors

Not required for smaller reporting companies.

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

During the three month period ended September 30, 2015, the Company issued 16,500,000 restricted common shares of its common stock to various consultants for consulting services including business advisory, operations, diving and exploration, public relations, consulting, and other services. From time to time in the regular course of its business the Company issues shares of its restricted common stock to consultants and other parties for a variety of services rendered including, but not limited to, legal, financial, accounting, administrative, archeological, executive, corporate communications, operations, diving, etc. The Company believes that the issuance of the securities was exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) of the Securities Act as a transaction by an issuer not involving any public offering and based on the fact that such securities were issued for services to sophisticated or accredited investors and persons who are thoroughly familiar with the Company's proposed business by virtue of their affiliation with the Company.

On various dates during the three month period ended September 30, 2015, the Company entered into subscription agreements to sell 11,951,755 shares of its restricted common stock to nine investors and receive proceeds of \$25,200. The proceeds were used for general corporate purposes, working capital and the payment of debt.

Exemptions from Registration for Sales of Restricted Securities.

The issuance of securities referenced above were issued to persons who the Company believes were either "accredited investors," or "sophisticated investors" who, by reason of education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in us; and each had prior access to all material information about us. None of these transactions involved a public offering. An appropriate restrictive legend was placed on each certificate that has been issued, prohibiting public resale of the shares, except subject to an effective registration statement under the Securities Act of 1933, as amended (the "Act") or in compliance with Rule 144. The Company believes that the offer and sale of these securities was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) under the Securities Act of 1933 (the "Act") thereof, and/or Regulation D. There may be additional exemptions available to the Company.

Issuance of Securities Due to Conversion of Notes and Debt

During the three month period ended September 30, 2015 the holder of a convertible promissory notes with a remaining principal balance of \$28,000 elected to convert the principal balance of their notes plus accrued interest into 12,650,000 shares of the Company's common stock. The Company believes that the offer and sale of these securities were exempt from the registration requirements of the Securities Act pursuant to Sections 3(a)(9) under the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

The Company has several promissory notes that are currently in default to non-payment of principle and interest. See Part I, Item 2, notes payable and convertible notes payable, in default, for discussion of defaults on certain debt obligations of the Company

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None

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Item 6. Exhibits

Set forth below is a list of the exhibits to this quarterly report on Form 10-Q.

Exhibit Number Description

<u>*31.1</u>	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>*32.1</u>	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>*99.1</u>	<u>Temporary Hardship Exemption</u>
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase
**101.DEF	XBRL Taxonomy Extension Definition Linkbase
**101.LAB	XBRL Taxonomy Extension Label Linkbase
**101.PRE	XBRL Extension Presentation Linkbase

* Filed herewith.

** To be furnished by amendment per Temporary Hardship Exemption under Regulation S-T.

SIGNATURE

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

Seafarer Exploration Corp.

Date: November 20, 2015

By: /s/ Kyle Kennedy
Kyle Kennedy
President, Chief Executive Officer, and
Chairman of the Board
(Principal Executive Officer and Principal
Accounting Officer)

Date: November 20, 2015

By: /s/ Charles Branscum
Charles Branscum, Director

Date: November 20, 2016

By: /s/ Robert L. Kennedy
Robert L. Kennedy, Director