

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,283,331	\$ 3,050,721
Accounts receivable, net	1,527,913	2,104,914
Inventory	4,728,394	3,759,552
Deferred tax asset	—	1,651,604
Other current assets	<u>729,678</u>	<u>640,150</u>
Total current assets	<u>10,269,316</u>	<u>11,206,941</u>
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	10,745,738	6,612,764
Building and land	3,973,988	3,333,481
Accumulated depreciation	<u>(2,738,572)</u>	<u>(1,328,202)</u>
Total property and equipment	<u>11,981,154</u>	<u>8,618,043</u>
OTHER ASSETS		
Inventory (non current)	5,839,914	5,945,177
Deferred tax asset	—	1,176,796
Attraction development	1,172,475	569,634
Other long term assets	<u>927,599</u>	<u>404,209</u>
Total other assets	<u>7,939,988</u>	<u>8,095,816</u>
Total assets	\$ <u>30,190,458</u>	\$ <u>27,920,800</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 601,129	\$ 591,138
Accrued expenses	1,843,261	2,024,882
Mortgage and loans payable	111,433	173,700
Deposits	<u>103,069</u>	<u>19,098</u>
Total current liabilities	<u>2,658,892</u>	<u>2,808,818</u>
LONG TERM LIABILITIES		
Mortgage payable	1,758,333	1,858,333
Deferred income from Revenue Participation Certificates	<u>887,500</u>	<u>887,500</u>
Total long term liabilities	<u>2,645,833</u>	<u>2,745,833</u>
Total liabilities	<u>5,304,725</u>	<u>5,554,651</u>
STOCKHOLDERS' EQUITY		
Preferred stock - \$.0001 par value; 9,300,000 shares authorized; none outstanding	—	—
Preferred stock series A convertible - \$.0001 par value; 510,000 shares authorized; none issued or outstanding	—	—
Common stock - \$.0001 par value; 100,000,000 shares authorized; 45,823,224 and 38,530,599 issued and outstanding	4,582	3,853
Additional paid-in capital	43,870,228	26,430,934
Unrealized gain on investments, net of tax	—	554
Accumulated deficit	<u>(18,989,077)</u>	<u>(4,069,192)</u>
Total stockholders' equity	<u>24,885,733</u>	<u>22,366,149</u>
Total liabilities and stockholders' equity	\$ <u>30,190,458</u>	\$ <u>27,920,800</u>

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

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
REVENUE	\$ 10,036,575	\$ 17,622,092	\$ 73,879
OPERATING EXPENSES			
Cost of sales	1,098,014	1,883,912	—
Operations and research	11,294,015	1,962,186	2,590,666
Marketing, general & administrative	9,294,056	5,072,681	2,620,180
Total operating expenses	<u>21,686,085</u>	<u>8,918,779</u>	<u>5,210,846</u>
INCOME (LOSS) FROM OPERATIONS	(11,649,510)	8,703,313	(5,136,967)
OTHER INCOME OR (EXPENSE)			
Interest income	57,882	6,011	23,958
Interest expense	(121,439)	(57,842)	(109,227)
Other income	74,692	40,667	40,000
Revenue participation	—	—	(12,986)
Total other income or (expense)	<u>11,135</u>	<u>(11,164)</u>	<u>(58,255)</u>
INCOME (LOSS) BEFORE INCOME TAXES	(11,638,375)	8,692,149	(5,195,222)
Income tax (provision) benefit	(3,281,510)	(3,462,911)	5,762,103
NET INCOME (LOSS)	\$ <u>(14,919,885)</u>	\$ <u>5,229,238</u>	\$ <u>566,881</u>
EARNINGS (LOSS) PER SHARE			
Basic	\$ (.35)	\$ 0.14	\$ 0.02
Diluted	\$ (.35)	\$ 0.13	\$ 0.02
Weighted average number of common shares outstanding			
Basic	42,373,217	38,400,329	32,952,161
Diluted	42,373,217	40,254,049	34,278,545

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND

COMPREHENSIVE INCOME

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Preferred Stock – Shares			
At beginning of year	—	—	1
Common stock issued for conversion of Series C Preferred stock	—	—	(1)
At end of year	—	—	—
Common Stock – Shares			
At beginning of year	38,530,599	37,993,099	28,721,886
Common stock issued for conversion of Series C Preferred stock	—	—	400,000
Common stock issued for cash	7,252,625	537,500	8,731,435
Common stock issued for services	40,000	—	139,778
At end of year	45,823,224	38,530,599	37,993,099
Common Stock			
At beginning of year	\$ 3,853	\$ 3,799	\$ 2,872
Common stock issued for conversion of Series C Preferred stock	—	—	40
Common stock issued for cash	729	54	873
Common stock issued for services	—	—	14
At end of year	4,582	3,853	3,799
Paid-in Capital			
At beginning of year	26,430,934	25,147,839	10,664,706
Common stock issued for conversion of Series C Preferred stock	—	—	(40)
Common stock issued for cash	16,848,083	1,030,259	14,109,564
Common stock issued for services	100,000	—	97,237
Stock options issued for services	38,101	—	—
Tax benefit on exercised employee stock options	453,110	252,836	276,372
At end of year	43,870,228	26,430,934	25,147,839
Accumulated Unrealized Loss in Investment			
At beginning of year	554	2,988	—
Net change in unrealized gain on investments, net of tax	(554)	(2,434)	2,988
At end of year	—	554	2,988
Accumulated Deficit			
At beginning of year	(4,069,192)	(9,298,430)	(9,865,311)
Net income (loss)	(14,919,885)	5,229,238	566,881
At end of year	(18,989,077)	(4,069,192)	(9,298,430)
Total shareholders' equity	\$ 24,885,733	\$ 22,366,149	\$ 15,856,196
Comprehensive Income (Loss)			
Net income (Loss)	(14,919,885)	5,229,238	566,881
Net change in unrealized gain on investments, net of tax	(554)	(2,434)	2,988
At end year	\$ (14,920,439)	\$ 5,226,804	\$ 569,869

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

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	\$ (14,919,885)	\$ 5,229,238	\$ 566,881
Adjustments to reconcile net income to net cash used by operating activity:			
Effect of unrealized gain on investments	—	(2,434)	(1,877)
Tax benefit related to exercise of employee stock options	453,110	252,836	276,372
Common stock issued for services	38,101	—	124,750
Depreciation	1,445,551	362,114	380,013
Loss on disposal of equipment	43,528	20,000	31,927
(Increase) decrease in:			
Accounts receivable	210,004	(2,092,438)	—
Inventory	(717,110)	(5,658,105)	(4,049,689)
Advances, prepaids, deposits	(687,797)	(82,646)	(475,295)
Deferred tax asset	2,828,400	3,208,198	(6,036,598)
Increase (decrease) in:			
Accounts payable	9,988	(402,388)	953,372
Accrued expenses and other	319,041	1,926,773	189,625
NET CASH PROVIDED (USED)IN OPERATING ACTIVITIES	(10,977,069)	2,761,148	(8,040,519)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and improvements	(1,869,532)	(2,217,418)	(3,607,691)
Attractions and exhibits	(3,656,982)	(569,634)	—
Purchase of U.S. Treasury bills	—	—	(1,991,555)
Proceeds from sale of equipment	49,647	—	—
Purchase of building and land	—	(1,333,481)	—
NET CASH USED IN INVESTING ACTIVITIES	(5,476,867)	(4,120,533)	(5,599,246)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from related party loans receivable	—	—	292,627
Proceeds from issuance of common stock	16,848,813	1,030,313	12,936,313
Proceeds from issuance of loan payable	11,433	1,523,700	978,750
Proceeds from sale of marketable securities	—	1,996,420	—
Repayment of note payable to related party	—	—	(2,144)
Repayment of loan payable	—	(1,450,000)	—
Repayment of mortgage payable	(173,700)	(41,667)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,686,546	3,058,766	14,205,546
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,610	1,699,381	565,781
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,050,721	1,351,340	785,559
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,283,331	\$ 3,050,721	\$ 1,351,340
SUPPLEMENTARY INFORMATION:			
Interest paid	\$ 119,174	\$ 53,051	\$ 11,229
Income taxes paid	\$ —	\$ —	\$ —
NON CASH TRANSACTIONS:			
Depreciation reclassified as inventory	\$ 72,912	\$ 374,123	\$ 115,235
Accrued compensation paid by common stock	\$ 100,000	\$ —	\$ —
Accounts receivable paid by services	\$ 317,350	\$ 40,000	\$ —
Building purchase paid by mortgage loan	\$ —	\$ 2,000,000	\$ —
Loan principle converted to common stock	\$ —	\$ —	\$ 1,032,750