

ODYSSEY MARINE EXPLORATION INC

FORM 10-K (Annual Report)

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-31895

ODYSSEY MARINE EXPLORATION, INC.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

84-1018684
(I.R.S. Employer
Identification No.)

5215 W. Laurel Street, Tampa, Florida 33607
(Address of principal executive offices)

(813) 876-1776
(Registrant's telephone number including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes No

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of March 1, 2006, the Registrant had 46,062,678 shares of Common Stock, \$.0001 Par Value, outstanding, and the aggregate market value of the shares held by non-affiliates on that date was approximately \$123,164,746.



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As used in this Annual Report on Form 10-K, “we,” “us,” “our company” and “Odyssey” means Odyssey Marine Exploration, Inc. and our subsidiaries, unless the context indicates otherwise. Previously, Odyssey’s fiscal year was a twelve-month period ending on the last day of February. As a result of a change in our fiscal year, Odyssey’s 2004 transition period consisted of the ten-month period ended December 31, 2004, and in 2003 and 2005 Odyssey’s fiscal year included twelve-month periods. For 2003, the twelve-month period ended February 29, 2004, and for 2005, the twelve month period ended December 31, 2005.

PART I

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. The statements regarding Odyssey Marine Exploration, Inc. and its subsidiaries contained in this report that are not historical in nature, particularly those that utilize terminology such as “may,” “will,” “should,” “likely,” “expects,” “anticipates,” “estimates,” “believes” or “plans,” or comparable terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

Important factors known to us that could cause such material differences are identified in this report and in our “RISK FACTORS” in Item 1A. We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any future disclosures we make on related subjects in future reports to the SEC.

ITEM 1. BUSINESS

Overview

Odyssey Marine Exploration, Inc. is engaged in the archaeologically sensitive exploration and recovery of deep-water shipwrecks throughout the world. We employ advanced state-of-the-art technology, including side scan sonar, remotely operated vehicles, or ROVs, and other advanced technology, that enables us to locate and recover shipwrecks at depths that were previously unreachable in an economically feasible manner. Odyssey continues to build on a foundation of shipwreck research, development of political relationships and advancement of techniques for deep ocean search and recovery. Odyssey is a Nevada corporation formed on March 5, 1986.

Our vision is to become the world leader in deep-ocean shipwreck exploration, archeological excavation, education, entertainment, and marketing of shipwreck cargoes and related merchandise.

Business Segments

The Company manages and evaluates the operating results of the business in two primary segments: shipwreck exploration and themed attractions.

Shipwreck Exploration – This segment includes all operating activities for exploration and recovery of deep-ocean shipwrecks including the marketing, promotion and distribution of recovered artifacts, replicas, merchandise and books through various retail and wholesale sales channels. The departments included within this group include our marine operations, archaeology, conservation and research, marketing, sales and corporate administration.

Marine operations is tasked with the discovery and recovery of deep-ocean shipwrecks utilizing state-of-the-art technology, including side scan sonar, remotely operated vehicles (ROVs), and other advanced technology. They oversee ships, offshore technology, and ship and technical crews. The marine operations team has also developed proprietary procedures, software and equipment to improve the quality and speed of deep-ocean shipwreck operations.

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Our archaeology, conservation and research department supports marine operations by providing target information as well as conducting historical research on artifacts recovered from shipwrecks. After recovered items are returned to shore, our conservation department stabilizes the artifacts and ultimately brings them to their final state of conservation. This department also provides the curation of company-owned artifacts.

Our marketing and sales department includes support functions for the promotion and distribution of products through both retail and wholesale channels. Our direct retail sales efforts provide an alternative distribution channel for our shipwreck products. In addition to obtaining retail pricing through direct channels, the marketing team is building a client base of customers interested in shipwreck collectibles.

Our shipwreck exploration segment continues to rely significantly on the recovered shipwreck cargoes as a primary source of raw materials. The availability of raw materials is primarily dependent on the success of finding intrinsically valuable cargoes from shipwrecks. If we are not successful in the exploration and recovery of shipwrecks, we may not have sufficient raw materials to sell (see Item 1A. Risk Factors).

Our corporate administrative department oversees all aspects of business management and reporting including compliance. The department is also responsible for public and investor relations, finance and accounting, information technology, legal and human resources.

Themed Attractions – Our themed attractions group is responsible for interactive attractions and exhibits that entertain and educate multi-generational audiences, and present Odyssey’s unique shipwreck stories and artifacts. The exhibits showcase our proprietary technologies and the excitement of deep-ocean archeological shipwreck search and recovery. On June 8, 2005, we announced that a newly formed subsidiary, Odyssey Marine Entertainment, Inc., would open an interactive shipwreck and treasure attraction in the French Quarter of New Orleans, Louisiana. Located in the Jax Brewery, *Odyssey’s Shipwreck & Treasure Adventure* appeals to the universal fascination with shipwrecks and sunken treasure. The attraction tells the stories behind some of the world’s most famous shipwrecks, their treasure and historical artifacts, and allows visitors to experience the adventure and excitement of deep-ocean shipwreck exploration through multiple hands-on interactive exhibits.

We held the grand opening of our first themed attraction, *Odyssey’s Shipwreck & Treasure Adventure*, on August 27, 2005, at the Jax Brewery complex in the French Quarter of New Orleans. The attraction was closed early on the grand opening day due to Hurricane Katrina. The Jax Brewery building in which the attraction resides remained closed until February 2006. The Odyssey attraction sustained minimal damage and we were able to safely remove all irreplaceable artifacts and valuables including coins and other high-value items. Odyssey carries \$4.5 million of insurance coverage for the attraction including property and business income. A preliminary insurance claim was filed in January 2006, however, we presently cannot estimate the amount of insurance proceeds we may receive. On February 15, 2006, we re-opened *Odyssey’s Shipwreck & Treasure Adventure* in New Orleans. Unlike the rest of the city, the French Quarter escaped mostly intact and tourists are returning to the area. We are currently evaluating our business alternatives for our second attraction currently in development.

(amounts in thousands)	Shipwreck Exploration	Themed Attractions	Consolidated
Segment Information			
<i>Twelve months ended December 31, 2005</i>			
Revenues from external customers	\$ 9,983	\$ 54	\$ 10,037
Income (loss) before income taxes	\$ (9,499)	\$ (2,139)	\$ (11,638)
Segment assets	\$ 25,349	\$ 4,841	\$ 30,190

Note: The themed attractions segment began in 2005. Financial information for our shipwreck exploration segment for the years 2003 and 2004 can be found in the consolidated financial statements included in Item 15. of this annual report.

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Project Criteria

Since 1994, we have spent much of our time and resources conducting research in an attempt to identify shipwreck projects that meet the following criteria:

- The shipwreck must be in deep water, thereby minimizing the possibility that it has been broken up and covered by shifting sands or the target of previous recovery efforts.
- The research must indicate that the shipwreck was carrying enough intrinsically valuable cargo to pay for the high cost associated with deep-ocean archaeological recovery, and to provide an attractive return for our investors and stockholders.
- The research must provide good navigational information concerning the sinking location in order to minimize the search area and provide a reasonable expectation that the wreck can be found.
- The issues relating to ownership of the shipwreck and its cargo must be resolved or reasonably predictable prior to beginning any recovery in order to minimize the potential for litigation.

The United Nations Educational Scientific and Cultural Organization, or UNESCO, has estimated that there are up to 3,000,000 shipwrecks contained within the oceans of the world. Historical records suggest that many were lost with verifiable cargoes of intrinsically valuable material.

Technology

Odyssey is a pioneer in the use of advanced deep-ocean technology for shipwreck exploration. We are not, for the most part, inventors of the technologies required for deep ocean search and recovery. We use technologies that others, primarily the military, oil industry, and telecommunications industry, have developed at great expense.

We have learned how to apply these technologies specifically to locate shipwrecks and to conduct precise archaeological recoveries at depths of 100 to 2,000 meters and beyond. Although we tend to use “off the shelf” technology because it is cost effective, we do have several proprietary software and equipment applications that maximize the effectiveness of our search and recovery systems. Software that precisely documents the archaeological excavation and advanced sediment removal and filtration systems are two examples of our technological innovations.

Equipment

Most of our projects are conducted in two phases. The search phase is usually conducted from a smaller vessel outfitted with survey equipment and an inspection ROV. The recovery phase requires a vessel equipped with a work-class ROV, sophisticated positioning systems, and certain Odyssey technology and proprietary software, which allows us to record the recovery in an archaeologically sound manner.

In 2003, we purchased the 113-foot search and survey vessel RV *Odyssey* and equipped it with sophisticated search and identification equipment. That ship and search team successfully concluded the SS *Republic* search operation with discovery of the shipwreck in August 2003. Prior to 2005, the RV *Odyssey* was our primary search vessel for coastal projects. This vessel operates with a minimum ship’s crew of five and a technical crew of two to four.

During 2003, we purchased a 251-foot dynamically-positioned ship named *Odyssey Explorer* and a 2,500 meter 200-HP work-class ROV that we nicknamed *ZEUS*. Coupled with a sophisticated suite of cameras, lighting and positioning equipment, as well as advanced computer monitoring and proprietary data management systems, *ZEUS* provides us the ability to perform extensive archaeological excavation work to depths of 2,500 meters.

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The Odyssey Explorer and Zeus were mobilized in Baltimore and deployed to the *SS Republic* site in October 2003, where they conducted the archaeological excavation of the *SS Republic* shipwreck site and recovered over 51,000 gold and silver coins and approximately 14,000 other artifacts prior to being relocated to the western Mediterranean in February 2005.

We have also purchased new manipulators and integrated them with Zeus to provide the capability for recording the X, Y and Z position of each artifact as it is recovered. This resulted in a more efficient and accurate site excavation. We have also integrated a new high-definition, or HD, camera system that has added HD filmmaking to our intellectual property and media capabilities.

Substantial additions to our computer control, navigation and guidance systems have also been integrated that significantly improve our capability for conducting pre-disturbance surveys and creating photomosaics. We have also added a new flotation pack that significantly increases the payload capabilities of *ZEUS*, enabling us to operate multiple tooling packages simultaneously.

During early 2005, we acquired a new side-scan sonar system which we believe will allow us to map the seafloor twice as fast as previous searches. Also, we entered into a charter agreement for a search vessel which we used during 2005 search operations and expect to use for continued search in our "Atlas" project area.

Active Operational Projects

In the past we have from time to time disclosed information concerning each of our existing and planned search operations. In order to protect the identities of the targets of our planned search operations, we have decided to defer disclosing specific information relating to our search targets until we have located the targeted shipwreck or shipwrecks and determined a course of action to protect our property rights.

SS Republic Project

The *SS Republic* was a side-wheel steamer lost in deep water in 1865 after battling a hurricane for several days. The ship, en-route from New York to New Orleans, was reportedly carrying \$400,000 in specie (1865 face value) when it sank. The ship's history includes service in both the Confederate and Union navies during the American Civil War.

We discovered the shipwreck in the summer of 2003 nearly 1,700 feet below the surface of the Atlantic Ocean approximately 100 miles off the Georgia coast. In March 2004, Odyssey was awarded title and ownership to the *SS Republic* shipwreck and cargo, including the hull, artifacts and the specie on board when she sank.

Odyssey completed the pre-disturbance survey work on the *SS Republic* shipwreck site in October 2003. Over 4,600 digital still photographs were taken over the course of 23 dives. The detailed photomosaic produced a high-resolution image of the shipwreck site and debris field. This served as a map to help the Odyssey team determine excavation priorities and can be used in later study and documentation of the *SS Republic*. Shortly after commencement of archaeological excavation of the site, a substantial number of gold and silver coins were revealed using Odyssey's Sediment Removal and Filtration, or SeRF, system.

In late 2003, when it appeared that all the coins might have been located in one small area, we anticipated recovering them all within 60 days. We recovered significantly more coins than were expected because many of them were smaller denomination silver half dollar coins. The coin recovery was efficient, allowing for recovery of up to 2,000 coins or more per day, even though they were picked up one at a time. The necessity of excavating the entire shipwreck site in an attempt to locate the balance of the coins, which our research suggests should still be there, required a significantly longer timeframe for the site excavation.

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The archaeological excavation and recovery was completed in February 2005. During the *SS Republic* excavation, more than 51,000 gold and silver coins and approximately 14,000 artifacts were recovered. Our ROV *ZEUS* completed 262 dives to the shipwreck site and debris field, logging almost 3,500 hours of bottom time. The coins recovered to date represent approximately 25 percent of the “\$400,000 in specie” (1865 face value) that historical research indicates was on board the *Republic* when she sank. We have been declared the owners of the wreck and there is a federal injunction in place preventing others from disturbing the site.

Coins recovered from the *SS Republic* have been divided into two categories. The first category, our “numismatic collection,” consists of coins that are indistinguishable from coins that have never been underwater. These have been priced to correlate with their numismatic value. The second category includes ungraded shipwreck coins (“shipwreck effect”) that have been conserved and encased in a certified tamper-resistant holder by Numismatic Conservation Services, or NCS, and Numismatic Guaranty Corporation, or NGC.

There are no Revenue Participation Certificates or revenue sharing arrangements related to the *SS Republic* recovery.

Western Mediterranean Project

In April 2005, the *Odyssey Explorer* performed survey and archaeological work in the western Mediterranean. We located 23 shipwreck sites, produced 14 pre-disturbance photomosaics, and completed preliminary excavations on seven sites. The archaeological work resulted in the recovery of approximately 400 artifacts plus a substantial number of trading beads currently undergoing conservation and study by *Odyssey's* research department.

Atlas Search Project

On May 4, 2005, we announced that search operations had begun on our 2005 shipwreck search program, code-named the “Atlas” project, with our chartered side-scan survey vessel. The “Atlas” project is the result of an extensive target development program and consists of a minimum of five target shipwrecks. It is believed to be the most extensive shipwreck search operation ever launched. Utilizing our new, advanced side-scan system allowed us to map the seafloor twice as fast as previous searches we have conducted.

The *Odyssey Explorer* joined the Company’s chartered side-scan survey vessel in the “Atlas” search area in June 2005 to inspect promising side-scan targets utilizing the Remotely Operated Vehicle (ROV) *ZEUS*. Using one ship for survey and a second ship with an ROV for inspections resulted in a more efficient search process.

The 2005 “Atlas” search operations resulted in the mapping of over 4,600 square miles of the search area. Results include the discovery of 2,421 anomalies on the sea floor using our advanced high-resolution side-scan sonar system. After post-processing data, over 1,100 of those anomalies were selected for possible further examination. Of those, 577 sites have been inspected and at least 180 are believed to be manmade or shipwreck sites. Of the shipwrecks inspected by *ZEUS*, several exhibit key characteristics of some of the target shipwrecks being sought as part of the “Atlas” search project, but to-date we have not positively identified any of our primary targets. We are currently analyzing high-definition video, digital photos and collected artifacts to determine the potential identity, cultural significance, and economic value of the inspected sites.

On November 7, 2005, we announced that operations on the “Atlas” search project would be suspended through the winter months due to inclement weather while the *Odyssey Explorer* was deployed to the western Mediterranean to begin operations on the *Sussex* project. We intend to complete the search of the “Atlas” area in 2006 when the weather window re-opens. For reasons of security and strategic confidentiality, we do not disclose the location of the “Atlas” project area.

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HMS Sussex Project

The *Sussex* project is an expedition to locate and recover artifacts and cargo of a large colonial-period British warship, HMS *Sussex*, which was lost in a severe storm in 1694. Based on documentary research conducted by contract researchers and our in-house research team in libraries and historical archives in Great Britain, France and other countries, we believe that there is a high probability the ship was carrying a cargo of coins with a substantial numismatic value. Our analysis of the data was accumulated from a review of ship's logs, court martial records, state papers, treasury books and various other letters and reports. We conducted offshore search operations on this project in 1998, 1999, 2000 and 2001. Based on the results of these search operations, we believe there is a high probability we have located the remains of HMS *Sussex*.

On September 27, 2002, we entered into an agreement with the Government of the United Kingdom of Great Britain and Northern Ireland, which we refer to as Her Majesty's Government (HMG), which allows us to conduct an archaeologically sensitive exploration of the shipwreck believed to be HMS *Sussex* and to recover artifacts from the shipwreck site. The agreement provided for us to submit a Project Plan to HMG concerning the equipment, personnel and methodologies we intend to use in the exploration of the shipwreck, and the conservation and documentation of any artifacts and cargo that may be recovered. This Plan was submitted and was declared fit for purpose during 2004 with the exception of the staffing plan, which could not be completed until the actual start date was agreed upon and the availability of personnel could be determined. The staffing plan was approved during 2005 and we began exploration of the site during December 2005.

In December 2005, our 251' deep-ocean archaeological platform, the *Odyssey Explorer*, returned to the western Mediterranean from the "Atlas" search area. The ship and crew conducted the initial phases of Odyssey's *Sussex* project plan previously approved by HMG.

During January 2006, we announced we had completed archaeological and environmental survey operations believed to fulfill the requirements of Phase 1A, and a substantial portion of Phase 1B, which included gathering archaeological evidence to identify the site believed to be HMS *Sussex*. A report was submitted to HMG, which detailed the work completed by Odyssey to satisfy Phase 1A requirements of the *Sussex* project plan. The report was reviewed by the Ministry of Defence (MoD) and the *Sussex* Archaeological Executive committee. HMG has notified Odyssey that the work detailed in the report met or exceeded all requirements of Phase 1A of the *Sussex* Project plan and Odyssey is authorized to proceed to complete Phase 1B of the project. A public version of the project plan is available at www.shipwreck.net.

Odyssey's archaeological team has also completed a report detailing results of Phase 1B accomplished during the month of January, which was submitted to HMG in early March 2006.

A subsequent nota verbal was communicated to us through the same diplomatic channels on January 26, 2006, requesting that we suspend operations until the Junta of Andalucia appoints an expert to observe operations on the site believed to be the *Sussex*. It was further declared that the Junta did not appoint an expert because the Junta believed that Odyssey was working without appropriate authorization and that the Project Plan presented by us did not comply with the applicable Andalucian legislation as requested by the Spanish Ministry of Foreign Affairs.

When operating in territorial waters of any country, we have always done so with the appropriate authorizations. In the case of the *Sussex* project, because of regional sensitivities over the issue of the territorial status of the waters, and in accordance with diplomatic requests, our agreements of cooperation were made without prejudice to any jurisdictional claims relative to the territorial status of waters. Thus, the assertion of any claim to those waters or the assertion of any rights based on such claims, is not consistent with the diplomatic discussions relative to the project.

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We did, in fact, submit a Project Plan to the Spanish Government through diplomatic channels that was believed to comply with all applicable requirements. In good faith, we began operations on the *Sussex* after submission of the Project Plan and subsequent assurance by the Spanish Government through diplomatic channels that failure of the Junta to appoint an expert to join the operation would not be considered a failure of Odyssey to comply with the cooperative agreement pursuant to the nota verbal. In addition, assurances were provided to us through diplomatic channels during January 2006 that there would be no interference with operations relating to the *Sussex*.

The January 2006 nota verbal from Spain appears to be a contradiction of that position, and we trust that the inconsistency has resulted from ambiguity and possible miscommunications relative to jurisdictional issues.

During meetings held in Spain in February 2006 with the Spanish Government, the Junta de Andalucia and the Government of the United Kingdom, we agreed to resubmit an archaeological project plan pursuant to specific requirements requested by Spanish authorities to move the project forward. This plan, which would include collaboration with Spanish archaeologists, is currently being prepared and we expect to deliver it to the appropriate authorities in March 2006.

We understand the geographic and political sensitivities surrounding this project and are willing to go to great efforts to show our willingness to work in a cooperative fashion with all governments involved. Both Odyssey and HMG have been assured by the Andalucian and Spanish central government authorities that they will expeditiously examine the archaeological project when it is re-submitted in order to allow Odyssey to proceed with the operation in a collaborative manner.

As a Sovereign warship, the HMS *Sussex* remains the property of the Government of the United Kingdom which has not been contested by the Spanish government or other entities to our knowledge. As part of the partnering agreement signed between Odyssey and HMG in 2002, the following sharing arrangements have been agreed upon with respect to the aggregate amount of the appraised values and/or selling prices of the artifacts, net of agreed selling expenses:

<u>Range</u>	<u>British Government</u>	<u>Odyssey</u>
\$0 - \$45 million	20%	80%
\$45 million to \$500 million	50%	50%
Above \$500 million	60%	40%

In addition to the percentages specified above, we will also pay the British Government 10% of any net income we derive from intellectual property rights associated with the project.

Also, we received the exclusive worldwide right to use the name “HMS *Sussex*” in connection with sales and marketing of merchandise (exclusive of artifacts) related to the shipwreck, and the British Government will receive 3 percent of the gross sales of such merchandise.

Our agreement with the British Government is for a period of 20 years, and can only be terminated if:

- the shipwreck is not HMS *Sussex* ;
- we are in serious breach of our obligations under our agreement with the British Government.

The shipwreck that we believe is the HMS *Sussex* is located in the search area for a project that we have previously referred to in the past as our “Cambridge” project. We sold through private placements of Revenue Participation Certificates, or RPCs, the right to share in our future revenues derived from the Cambridge Project. As of April 30, 1999, when the offering was closed, we had sold \$825,000 of the RPCs. As a group, the holders are entitled to 100 percent of the first \$825,000 of gross revenue, 24.75 percent of gross revenue from \$4 million

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to \$35 million, and 12.375 percent of gross revenue above \$35 million generated by the Cambridge Project. Additionally, on May 26, 1998, we signed an agreement with a subcontractor that entitled it to receive 5 percent of the post-finance cost proceeds from any shipwrecks in a certain search area of the Mediterranean Sea. The shipwreck we believe is the HMS *Sussex* is located within the specified search area, and we will be responsible to share future revenues, if any, from this shipwreck with the subcontractor. The subcontractor's rights were foreclosed upon during 2002 and the purchaser was a limited liability company which was partially owned by two of our officers and directors. In order to remove any potential conflicts of interest, these two persons sold their interests in the limited liability company during 2005.

Other Projects

While working towards a resolution of issues relating to the Sussex project, the Odyssey Explorer has been deployed to other shipwreck sites in the Mediterranean as part of the our ongoing operational program to explore numerous other valuable shipwrecks throughout the world. Preliminary work has been conducted, including completion of photomosaics and surveys on two shipwreck sites. Our research indicates that one of the shipwrecks (code-named Bristol) contains a cargo of gold specie. We are currently analyzing the survey data from this preliminary work and preparing a recovery plan. It is anticipated that recovery on the Bristol project will be scheduled later in 2006 after the completion of other scheduled operations, including the *Sussex* and *Atlas* projects.

The Company's other research vessel, the US flagged RV *Odyssey*, remains in Gibraltar to continue support of operations in that area.

Sales and Marketing

The recovery of coins and artifacts from the SS Republic required us to create a marketing plan specifically to sell these coins and artifacts. Initially, silver coins were wholesaled to coin dealers who sold them through telemarketing and television outlets. During May 2004, we began to sell gold coins through the same dealer network. These dealers provided an immediate outlet for our coins and enabled us to generate revenue during 2004. While the coins sold well, it became apparent we were missing out on the opportunity to offer them additional products, such as books, replicas and artifacts, whether through Odyssey directly or through strategic partnerships.

During the ten months ended December 31, 2004, our primary customers for the sale of gold and silver coins were 13 independent coin dealers. Of these customers, four were responsible for sales volumes constituting 64 percent of total sales. These four coin dealers were Spectrum Numismatic, Monaco Financial, Silver Towne LP, and Kevin Lipton Rare Coins. During the twelve months ended December 31, 2005, we continued to sell gold and silver coins through our independent coin dealers. However, the number of independent dealers dropped from thirteen in 2004 to six in 2005 of which two dealers represented 56 percent of total sales. These two dealers were Monaco Financial and Spectrum Numismatic. Our experience has shown that many of these independent dealers are primarily interested in the higher quality numismatic coin market. As our availability of these higher quality coins diminishes, we expect the number of independent dealers interested in our coins to be reduced.

There are no contractual arrangements with any of our customers for future sales and we cannot forecast the demand, if any, these customers will have for our coins, artifacts or merchandise. No commissions are paid to dealers; however, our marketing representative is paid a commission on sales to coin dealers.

In December 2004, we opened a direct sales department to test distribution of our products through retail sales channels where gross margins would typically be higher. Sales in 2005 were less than projected. However, we are continuing to build a database of customers which we anticipate will buy additional Odyssey products from various shipwrecks. We believe sales volumes will increase as we continue to build our client base for repeat sales, expand our book sales, access leads generated by our attraction and other activities and increase advertising expenditures in direct response print, television and radio. Based on 2005 results, we have also been investigating additional resources and strategic partnerships to service direct response inquiries and orders.

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We continue to develop additional indirect sales channels to supplement our coin dealer network for non-graded gold, shipwreck-effect silver coins and for other merchandise. While significant revenue has not yet been realized from these new indirect sales channels, we are building additional distribution channels for Odyssey shipwreck products, which should begin producing revenue in 2006.

The availability of raw materials is primarily dependent on the success of finding intrinsically valuable cargoes from shipwrecks (see Item 1A. Risk Factors). We recovered over 51,000 coins (approximately 4,000 \$10 and \$20 gold and 47,000 silver halves) and approximately 14,000 non-coin artifacts from the *SS Republic*. As of December 31, 2005, we have approximately 1,200 \$10 and \$20 gold coins and 39,000 silver halves remaining.

Archaeology and Science

Many of the shipwrecks we intend to pursue may have important historical and cultural characteristics. Every such project undertaken will be subject to stringent archaeological standards, thus adding to the body of knowledge of the people, the history and culture of the vessel's time. We believe adherence to these principles will increase the economic value of the artifacts and intellectual property rights of each project as well as enhance the level of cooperation we receive from governments, archaeological and other interests.

In addition, many deep-ocean recovery expeditions will lend themselves to interdisciplinary scientific studies including oceanography, marine biology, environmental research, bioengineering and other fields.

Legal and Political Issues

Odyssey works with a number of leading international maritime lawyers and policy experts to constantly monitor international legal initiatives that might affect our projects. As a matter of policy, we begin with the assumption that some entity, whether a government, private concern or insurance company, may have some rights to shipwrecks that are slated for search and recovery operations. Based on this assumption, rigorous legal tests are applied in order to ascertain which entities might be able to create roadblocks to a successful project. In some cases, such as that of *HMS Sussex*, it was determined that the most prudent mechanism for moving forward was to negotiate a contract with the owner of a vessel in order to manage litigation risk.

In other cases, such as the *SS Republic* project, we entered into an agreement whereby we purchased the insurance company's interest in the shipwreck and cargo, opening the way for an immediate grant of title to Odyssey by the federal court that had jurisdiction.

To the extent that we engage in shipwreck search and recovery activities in the territorial, contiguous or exclusive economic zones of countries, Odyssey intends to comply with verifiable applicable regulations and treaties. Prior to beginning operations for any project, the legal and political aspects are carefully researched to ascertain what effect these issues may have on the potential success of the operation.

These factors are taken into account in determining whether to proceed with a project as planned. Other factors, such as the UNESCO Convention for the Protection of Underwater Cultural Heritage are also taken into consideration. New political initiatives such as this Convention could restrict access to historical shipwrecks throughout the world to the extent they might require compliance with cultural resource management guidelines and regulations. Some of these will require adherence to strict archaeological practices and we intend to follow reasonable guidelines in all projects to which they are applicable. Greg Stemm, Odyssey's co-founder, was a member of the United States delegation that negotiated the UNESCO Convention, and as such provides us with a thorough understanding of the underlying principles and ramifications of the Convention, and advance notice of other cultural resource management issues that might affect our projects.

The UNESCO Convention is not expected to impact operations in international waters, and the United States, the United Kingdom and other major maritime governments have already stated explicitly that they do not

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intend to sign the Convention. Nevertheless, some countries in whose waters we may work may sign the Convention. While the UNESCO Convention states that artifacts may not be sold, it also states that this prohibition may not prevent the provision of archaeological services, and we intend to provide such services in contracts with governments. We believe the primary value of the cargoes we seek are trade goods (such as coins, bullion and gems), which are not artifacts of historical, archaeological or cultural significance and such should not be subject to the rule prohibiting sale.

We believe there will be increased interest in the protection of underwater cultural heritage throughout the oceans of the world. We are uniquely qualified to provide governments and international agencies with resources to help manage these resources while providing the public with educational, scientific, historical and entertainment initiatives that originate from our shipwreck exploration activities.

Competition

There are a number of companies who publicly identify themselves as engaged in aspects of the shipwreck business, but they do not compete directly with us as an established deep-ocean archeological shipwreck exploration company. These entities include, but are not limited to, Subsea Resources Ltd. (a UK Company), Sovereign Exploration Associates International Inc. and Admiralty Holding Company. Management currently believes only Subsea has the capital and managerial resources to compete directly with Odyssey in deep-ocean projects. It is possible that some currently unknown group may locate and recover a shipwreck on our project roster; however, due to the breadth of our historical and archival research, the already completed sonar and deep-water ROV inspection efforts, and the number of shipwreck projects in various stages of development, we do not believe that competition from one or more of these entities, known or unknown, would materially impact our operating plan or alter our current business strategy.

Cost of Environmental Compliance

With the exception of vessel operations and conservation activities, our general business operations do not expose us to environmental risks or hazards. We carry insurance that provides a layer of protection in the event of an environmental exposure resulting from the operation of our vessels. The cost of such coverage is minimal on an annual basis. We believe the risk associated with our conservation activities is minimal.

Employees

As of December 31, 2005, we have 74 full-time employees working from our corporate offices in Tampa, Florida and *Odyssey's Shipwreck & Treasure Adventure* in New Orleans, Louisiana. Additionally, we employ approximately 20 crewmen who operate the vessels RV *Odyssey* and *Odyssey Explorer*. We also hire technical personnel as needed for marine survey and recovery on the RV *Odyssey*, the *Odyssey Explorer* and our chartered search vessel. Depending upon the particular operations they are conducting, the RV *Odyssey* and our chartered search vessel will utilize two to four technicians, and the *Odyssey Explorer* will use from 14 to 20. In addition, we hire subcontractors and consultants from time to time to perform specific services.

Internet Access

Odyssey's Forms 10-K, 10-Q, 8-K and all amendments to those reports are available without charge through Odyssey's web site on the Internet as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. They may be accessed as follows: www.shipwreck.net (SEC Filings Link).

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ITEM 1A. RISK FACTORS

One should carefully consider the following factors, in addition to the other information in this Annual Report on Form 10-K, in evaluating our company and our business. Our business, operations and financial condition are subject to various risks. Some of these risks are described below, and should be carefully considered in evaluating Odyssey or any investment decision relating to our securities. This section does not describe all risks applicable to Odyssey, its industry or its business. It is intended only as a summary of the principal risks.

Our business involves a high degree of risk.

An investment in Odyssey is extremely speculative and of exceptionally high risk. Although we have access to a substantial amount of research and data which has been compiled regarding various projects, the quality and reliability of such research and data is uncertain. Even if we are able to plan and obtain permits for our various 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 of the sinking. Even if objects of value are located and recovered, there is the possibility that the cost of recovery exceeds the value of the objects recovered or that others, including both private parties and governmental entities, will assert conflicting claims and challenge our rights to the recovered objects. Finally, even if we are successful in locating and retrieving objects from a shipwreck and establishing good title to them, there are no assurances as to the value that such objects will bring at their sale, as the market for such objects is uncertain.

The research and data we use may not be reliable.

The success of a shipwreck project is dependent to a substantial degree upon the research and data we have obtained. By its very nature, research and data regarding shipwrecks is imprecise, incomplete and unreliable. It is often composed of or affected by numerous assumptions, rumors, legends, historical and scientific inaccuracies and inaccurate interpretations which have become a part of such research and data over time.

Availability of raw materials may be limited.

The availability of raw materials is primarily dependent on the success of finding intrinsically valuable cargoes from shipwrecks. If we are not successful in the exploration and recovery of shipwrecks, we would not have sufficient raw materials to sell.

Operations may be affected by natural hazards.

Underwater recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Further, such operations may be undertaken more safely during certain months of the year than others. We cannot guarantee that we, or the entities we are affiliated with, will be able to conduct search and recovery operations only during favorable periods. In addition, even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions may occur and adversely affect our operations. It is also possible that natural hazards may prevent or significantly delay search and recovery operations or the ability to operate our themed attractions.

We may be unable to establish our rights to any objects we recover.

Persons and entities other than Odyssey and entities we are affiliated with (both private and governmental) may claim title to the shipwrecks. Even if we are successful in locating and recovering shipwrecks, we cannot assure we will be able to establish our right to property recovered against governmental entities, prior owners, or other attempted salvors claiming an interest therein. In such an event, we could spend a great deal of money and receive no revenue for our work.

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The market for any objects we recover is uncertain.

Even if valuable items can be located and recovered, it is difficult to predict the price that might be realized for such items. The value of recovered items will fluctuate with the precious metals market, which has been highly volatile in past years. In addition, the entrance on the market of a large supply of similar items from shipwrecks located and recovered by others could depress the market.

We could experience delays in the disposition or sale of recovered objects.

The methods and channels that may be used in the disposition or sale of recovered items are uncertain at present and may include several alternatives. Ready access to buyers for any artifacts or other valuable items recovered cannot be assured. Delays in the disposition of such items could adversely affect our cash flow.

Legal, political or civil issues could interfere with our recovery operations.

Legal, political or civil initiatives of countries and/or major maritime governments could restrict access to shipwrecks or interfere with our search and recovery operations.

Objects we recover could be stolen from us.

If we locate a shipwreck and assert a valid claim to items of value, there is a risk of theft of such items at sea, both before and after their recovery, by “pirates” or poachers and while in transit to a safe destination. Such thefts may not be adequately covered by insurance.

We face competition from others.

There are a number of competing entities engaged in various aspects of the shipwreck business, and in the future other competitors may emerge. One or more of these competing entities may locate and recover a shipwreck that we intend to locate and recover. In addition, these competing entities may be better capitalized and may have greater resources to devote to their pursuit of the shipwreck.

We may be unable to get permission to conduct salvage operations.

It is possible we will not be successful in obtaining title, or permission to excavate certain wrecks. In addition, permits that are sought for the projects may never be issued, and if issued, may not be legal or honored by the entities that issued them.

Profitability of our themed attractions segment may be adversely affected by a number of factors.

As we continue to develop and open themed attractions, there are several factors which could negatively affect our profitability including site selection, attendance projections, and economic activity. While we perform extensive market research on potential site locations, our attendance projections for those locations may not materialize in sufficient numbers to assure profitability. Also, a decline in national and/or regional economic conditions could reduce attendance and spending at our themed attractions. In addition, our themed attractions will compete against other forms of entertainment available in the area, and attendance may be subject to seasonal variations.

Changes in our business strategy or restructuring of our businesses may increase our costs or otherwise affect the profitability of our businesses.

As changes in our business environment occur we may need to adjust our business strategies to meet these changes or we may otherwise find it necessary to restructure our operations or particular businesses or assets.

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When these changes or events occur, we may incur costs to change our business strategy and may need to write down the value of assets. In any of these events, our costs may increase, and we may have significant charges associated with the write-down of assets.

We depend on key employees and face competition in hiring and retaining qualified employees.

Our employees are vital to our success, and our key management and other employees are difficult to replace. We currently do not have employment contracts with our key employees. Further, we do not maintain key person life insurance on any of our employees. We may not be able to retain highly qualified employees in the future which could adversely affect our business.

Our articles of incorporation authorize generic preferred stock.

Our articles of incorporation authorize the issuance of up to 10,000,000 shares of preferred stock. Our board of directors has the right to establish the terms, preference, rights and restrictions of the preferred stock. Such preferred stock could be issued with terms, rights, preferences and restrictions that could discourage other persons from attempting to acquire control and thereby insulate incumbent management. In certain circumstances, the existence of corporate devices that would inhibit or discourage takeover attempts could have a negative effect on the market value of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2005 fiscal year that remain unresolved.

ITEM 2. PROPERTIES

We maintain our offices at 5215 W. Laurel Street, Tampa, Florida 33607. We purchased the 23,500 square foot two story office building in 2004 for \$3,058,770 to serve as our corporate and operations headquarters. We currently lease approximately 25 percent of the space to a tenant. In April 2005, we entered into a three-year lease for a one story 8,100 square foot commercial building in proximity to our corporate headquarters which is utilized by our conservation department. In June 2005, we entered into a Lease Agreement with Jackson Brewery Millhouse, LLC, New Orleans, Louisiana, for the space where the Company opened its first interactive shipwreck and treasure attraction. The space is located in the Jax Brewery in the French Quarter of New Orleans. The lease covers approximately 8,651 square feet, has a five year term and a monthly rent of \$17,571. Among other provisions the lease grants Odyssey the right to terminate the lease after 18 months for any reason without penalty.

ITEM 3. LEGAL PROCEEDINGS

On or about December 14, 2004 a complaint was filed against seven defendants including the Company in the Court of Common Pleas in the Ninth Judicial Circuit, County of Charleston, in the State of South Carolina. The complaint was filed by Republic & Eagle Associates, Inc. and Sea Miners, Inc. against John Morris, Greg Stemm, John Lawrence, John Balch, Daniel Bagley, Seahawk Deep Sea Technologies, Inc. ("Seahawk") and the Company. The plaintiff's allegations include breach of fiduciary duty, civil conspiracy and breach of contract based primarily upon an alleged contract(s) between the plaintiffs and Seahawk dated May 16, 1995 dealing with the search for the S.S. Republic. The plaintiffs allege that their research which was provided to Seahawk led to the discovery of the S.S. Republic and they seek an unspecified amount of damages and public recognition of their contribution. On February 18, 2005, John Morris, Greg Stemm, Daniel Bagley, and the Company filed their Notice of Motion and Motion to Dismiss Defendants John Morris, Greg Stemm, Daniel Bagley and Odyssey Marine Exploration, Inc. (the "Motion"). In the Motion, the defendants allege that the complaint should be

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dismissed because, among other things, the South Carolina court does not have jurisdiction over them, the action was filed in an improper venue, plaintiffs lack the capacity to maintain the action, and the action should be barred based on the Doctrine of Forum Non Conveniens. The parties continue to engage in discovery. While the South Carolina court has not yet heard nor ruled on the Motion, we expect that a hearing will be held in April 2006 concerning our motion to dismiss the case based upon a lack of jurisdiction.

Management believes the lawsuit is without merit and intends to vigorously defend the action.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth biographical information as to the business experience of each Officer of the Company for at least the last five years.

John C. Morris (age 56) served as President and CEO of the Company from May 1994 until November 2005 when he resigned as President and CEO due to the effects of cancer treatment. He has served as Chairman of the Board of Directors of the Company since May 1994, and as Co-Chairman since February 24, 2006. Mr. Morris' medical condition continues to improve and he maintains his position as Co-Chairman. In these capacities, Mr. Morris has been responsible for strategic planning, financing, and general execution of our business plan. He has overseen the first deep water archaeological recovery of a Spanish shipwreck from the 1622 fleet using a remotely operated vehicle and has been instrumental in the planning and execution of the company's current search and recovery operations. Mr. Morris continues to work with the investment community and to provide oversight to the Company.

Gregory P. Stemm (age 48) has served as Vice President, Research and Operations and as a member of the Board of Directors since May 1994. He has served as Co-Chairman since February 24, 2006. He is responsible for research and operations on all shipwreck projects. Greg has extensive experience in managing shipwreck exploration operations since entering the field in 1986, including deep ocean search and robotic archaeological excavation on a number of projects. A panelist at the 1998 Law of the Sea Institute, Stemm was appointed for four consecutive terms to the United States delegation to the United Nations Educational, Scientific and Cultural Organization (UNESCO) expert meeting to negotiate the "Draft Convention for the Protection of Underwater Cultural Heritage." He was selected as a Fellow of the Explorers Club, and was the founder and past-president of the Professional Shipwreck Explorers Association (ProSEA). Stemm served as a founding director (1986-93) and international president (1992-93) of YEO (Young Entrepreneurs Organization) and was also a founding member of the World Entrepreneurs Organization, where he served on the International Board of Directors (1997-98).

Michael V. Barton (age 46) was appointed as CEO and President on November 9, 2005. He previously served as Odyssey's Chief Financial Officer from May 2002 until May 2004. Since that time, he served as Managing Director of Intrust Advisors, LLC, and President of the Tampa Bay Estate Planning Council. From 1995 to May 2002 he was Vice President of the Wealth Management Group for First Union National Bank where he assisted high net worth clients with estate and business succession planning, investment strategies, and tax planning. Prior to that, Mr. Barton worked in the mutual fund industry as a Senior Compliance Officer and in public accounting. Mr. Barton received a B.S. in Business Administration and Master of Accountancy degrees from the University of South Florida.

George Becker Jr. (age 71), joined Odyssey as Chief Operating Officer during April 2002, and became Executive-V.P. in June 2004. He also serves as President of Odyssey Marine Entertainment, Inc. a wholly owned subsidiary which was founded in February 2005. From 1992 until April 2002, Mr. Becker was the President of George J. Becker Jr. & Associates, consultants to companies in the leisure, themed attraction and hospitality

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industries. Mr. Becker is a senior executive with thirty years experience in major leisure industry profit center development, management, marketing, staffing and operations. For twenty-two years, Mr. Becker was involved in the development and management of the Sea World marine life parks in the United States and served at various times in several positions including as the former Executive Vice President of Sea World Inc., Chairman and Chief Executive Officer, Sea World of Texas, President and Chief Executive Officer of Sea World of California and President and Chief Executive Officer of Sea World of Florida. In 1997 Mr. Becker became President of Entercitement LLC. He led the creative concept and design of a proposed theme park in Indianapolis, Indiana. Park development was stopped in 1998 due to a lack of financing and Mr. Becker resigned in 1999 from Entercitement. Mr. Becker has been recognized as a tourism leader for his work in several regions of the country. A skilled new business developer and team builder, Mr. Becker is known for creating viable management teams, achieving excellent productivity and harmony between employees of widely divergent skills and personalities. Becker has been active in a number of national, regional and state visitor organizations. He served as Executive Director of the Florida Tourism Commission. In 1983, he was President of the Florida Chamber of Commerce and in 1984 he chaired Governor Bob Graham's Commission on Public Facility Financing.

Michael J. Holmes (age 56), joined Odyssey as Controller in March 2004, and became Chief Financial Officer in May 2004. Mr. Holmes has served in a variety of subsidiary financial management positions with Anheuser-Busch Companies, Inc. to include Vice President Finance, Sea World Orlando; Vice President Finance, Busch Gardens Tampa Bay; Corporate Controller, Metal Container Corp in St Louis; VP Finance & CFO Exploration Cruise Lines in Seattle, Washington; and Director Internal Audit Services for Anheuser-Busch in St Louis. Mike received his undergraduate degree from the University of Missouri and his MBA from Crummer Graduate School of Business at Rollins College in Orlando. Mike has also served as an adjunct professor of Accounting at the Rosen School of Hospitality Management, University of Central Florida in Orlando. Mike is very active in community leadership positions to include past board membership on the Orlando Regional Chamber of Commerce, Crummer Graduate School of Business Alumni Board, the ETC of Central Florida (International Drive Transportation Group) and Junior Achievement of Tampa Bay. He is a graduate of Leadership Tampa.

David A. Morris (age 55) has served as Secretary and Treasurer of the Company since August 1997. Mr. Morris graduated with a Bachelor of Science degree in Mechanical Engineering from Michigan State University in 1974. In his capacity with the Company Mr. Morris coordinates administrative business activities and participates in overall corporate planning.

Davis D. Howe (age 47) joined Odyssey Marine Exploration as Chief Operating Officer in July 2004. Mr. Howe has assisted several public companies transition from the developmental and early revenue generating stages to successful operational companies maximizing revenues and earnings. He has held senior management positions at several major public companies including Nextel Communications, Aerial Communications (merged with VoiceStream and Omnipoint) and Intermedia. Mr. Howe has been instrumental in developing strong organizational structure for companies requiring cross-departmental improvement.

Jay A. Nudi (age 42), has served as Principal Accounting Officer of the Company since January 3, 2006. Mr. Nudi has been with the Company since May 2005 as Corporate Controller and has over 15 years of accounting and management experience. Mr. Nudi is a certified public accountant. Prior to joining the Company, Mr. Nudi served as Controller for The Axis Group in Atlanta where he began in 2003. The Axis Group provides logistic solutions and services to the automotive industry. From 2001 to 2003, he served as a consultant to various companies on specific value added tasks. From 2000 to 2001, Mr. Nudi was Director of Financial Reporting for OneSource, Inc., a leading provider of facilities management. From 1997 to 2000, he served as Corporate Controller for Acsys, Inc., a national recruiting firm that was publicly-held until it was acquired in 2000. Mr. Nudi received a BS Degree in Accounting from Penn State University in 1985.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On November 19, 2003, our stock was listed on the American Stock Exchange and is traded under the symbol “OMR.” The following table sets forth the high and low sale prices for our securities during each quarter or interim reporting period for the periods set forth in the following schedule.

Quarter Ended	Price	
	High	Low
March 31, 2004	\$5.20	\$4.20
June 30, 2004	\$6.80	\$2.60
September 30, 2004	\$3.21	\$1.76
December 31, 2004	\$3.10	\$2.02
Quarter Ended		
March 31, 2005	\$3.96	\$2.00
June 30, 2005	\$5.38	\$3.20
September 30, 2005	\$5.64	\$3.47
December 31, 2005	\$4.32	\$2.49

Approximate Number of Holder of Common Stock

The number of record holders of our \$.0001 par value Common Stock at February 28, 2006 was 302. This does not include shareholders that hold their stock in accounts in street name with broker/dealers.

Dividends

Holders of the Common Stock are entitled to receive such dividends as may be declared by our Board of Directors. No dividends have been declared with respect to our Common or Preferred Stock and none are anticipated in the foreseeable future.

Recent Sales of Unregistered Securities

During the three months ended December 31, 2005, we issued 1,458,700 shares of our common stock to 33 investors who exercised warrants. The Company received a total of \$3,646,750 in cash from these investors. The securities were issued pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933. The purchasers of these securities are accredited investors who made an informed investment decision and had access to material information regarding the Company. The certificates representing the common shares bear an appropriate legend restricting the transfer of such securities, and stop transfer instructions have been provided to our transfer agent in accordance therewith. The shares of common stock issued in the warrant exercises have been registered in a Form S-3 registration statement under the Securities Act of 1933 for resale by the holders of the shares.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data, which should be read in conjunction with the Company’s financial statements and the related notes to those statements included in “Item 8. Financial Statements and Supplementary Data” and with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this Form 10-K. The selected financial data has been derived from the Company’s audited financial statements.

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The following table includes fiscal years 2001, 2002 and 2003, which represent twelve-month periods ended February, 2002, 2003 and 2004, respectively. The fiscal year ended 2004 was a ten month transition period which ended December 31, 2004. For 2005, the fiscal year was a twelve month period which ended December 31, 2005.

\$ in thousands except per share amounts	2005	2004	2003	2002	2001
Results of Operations					
Operating revenues	\$ 10,037	\$17,622	\$ 74	\$ —	\$ 10
Net income (loss)	(14,920)	5,229	567	(2,593)	(1,592)
Earnings per share – basic	(0.35)	0.14	0.02	(0.09)	(0.08)
Earnings per share – diluted	(0.35)	0.13	0.02	(0.09)	(0.08)
Cash dividends per share	—	—	—	—	—
Financial Position					
Assets	\$ 30,190	\$27,921	\$17,894	\$ 1,882	\$ 1,388
Long term obligations	1,758	1,858	—	—	56
Shareholder's equity	24,886	22,366	15,856	802	377

2003 net income includes \$5,762,103 income tax benefit which resulted due to elimination of valuation allowance against the deferred tax asset

2005 net income includes \$3,281,510 income tax expense which resulted due to recording a valuation allowance against the deferred tax asset. The effect of recording the valuation allowance increased the net loss by \$7,791,859.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to provide an investor with a narrative of our financial results and an evaluation of our financial condition and results of operations. The discussion should be read in conjunction with our consolidated financial statements and notes thereto. A description of our business is discussed in Item 1. of this report which contains an overview of our business as well as the status of our ongoing project operations.

Results of Operations

The dollar values discussed in the following tables, except as otherwise indicated, are approximations to the nearest \$100,000. For more detail refer to the Financial Statements and Supplemental Data in Item 8. The tables identify years 2005, 2004 and 2003. For 2005, the fiscal year included a twelve month period which ended December 31, 2005. Fiscal year 2004 included a ten month transition period which ended December 31, 2004. Fiscal year 2003 included a twelve-month period ended February 29, 2004.

2005 Compared to 2004

(dollars in millions)	2005	2004	2005 vs 2004	
			\$	%
Revenue	\$10.0	\$17.6	\$ (7.6)	(43)%
Cost of sales	1.1	1.9	(0.8)	(42)%
Operations & research	11.3	2.0	9.3	473%
Marketing, general, & administrative	9.3	5.0	4.2	84%
Total cost and expenses	\$21.7	\$ 8.9	\$12.8	143%

Revenue

Revenues are generated primarily through the sale of gold and silver coins, but also include other artifacts and merchandise. Revenues for fiscal years 2005 and 2004 were \$10.0 million and \$17.6 million, respectively,

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representing sales volume of approximately 2,500 gold and silver coins in 2005 and approximately 9,000 gold and silver coins in 2004. In 2005 sales were made through independent coin dealers at wholesale prices as well as through our direct retail sales telemarketing area. In 2004, sales were made only through independent coin dealers. Revenues were significantly lower in 2005 versus 2004 due to a number of factors.

We continue to sell numismatic coins to independent coin dealers. During the latter half of 2005, we experienced a decrease in numismatic gold coin revenue, relative to 2004, due to a lower availability of our highest value gold coins, a desire to maximize total revenue from coin inventory, and sales to fewer independent coin dealers. The number of independent dealers dropped from thirteen in 2004 to six in 2005 of which two dealers represented 57 percent of our total sales. Our experience has shown that many of these independent dealers are primarily interested in the higher quality numismatic coin market. As our availability of these higher quality coins diminishes, we expect the number of independent dealers interested in our coins to be reduced. In addition, the sale of silver half dollars to our existing independent coin dealer wholesale channel was significantly reduced from 2004 levels, as their main interest has been in the numismatic gold coins. We are continuing to develop additional indirect sales channels to supplement our coin dealer network for our non-graded gold, shipwreck effect silver coins and for other merchandise. While significant revenue has not yet been realized from these new indirect sales channels, we are building additional distribution for Odyssey shipwreck products, which should begin producing revenue in 2006.

We continued to develop and plan to increase retail distribution of coins and other merchandise through direct sales channels. However, during our first year of direct sales in 2005, sales volumes were lower than originally expected. While we have been developing a strong client base with a promising percentage of repeat sales, it has taken longer than expected to generate the numbers of leads and customers necessary to reach our goals. We continue to investigate alternatives to expand and improve retail distribution of our products. We believe sales volumes will increase as we continue to build our client base for repeat sales expand our book sales, access leads generated by our attraction and other activities, and increase advertising expenditures for direct response print, television and radio marketing.

Cost and Expenses

Cost of sales consists of shipwreck recovery costs, grading, conservation, packaging, and shipping costs associated with artifact, merchandise and book sales. Cost of sales as a percentage of revenue for 2005 and 2004 was 11 percent and 11 percent, respectively. The major factors that contribute to cost of sales as a percentage of revenue include capitalized ship recovery costs, number of artifacts recovered, revenue per artifact sold and the cost of merchandise and books. Cost of sales as a percentage of revenue will change depending on the sales mix because of the significantly higher unit sales prices for gold than silver coins and other merchandise.

Operations and research expenses were \$11.3 million in 2005, compared to \$2.0 million in 2004. Of the \$9.3 million increase in 2005, \$4.2 million was because vessel recovery costs were not capitalized since February 2005 when our recovery vessel left the SS Republic site. Vessel recovery costs of \$4.8 million were capitalized in 2004 versus \$0.6 million in 2005. Additionally, \$3.3 million was attributable to vessel operations which included \$1.8 million for chartering a vessel to conduct search operations for the Atlas project; \$.5 million related to our research and conservation efforts; and \$1.0 million was attributable to start up operations of our themed attractions segment, primarily due to the opening of our Odyssey Shipwreck & Treasure Adventure in New Orleans; and \$.3 million related to write-off of our investment in developing a second themed attraction location.

Marketing, general and administrative expenses were \$9.3 million in 2005 as compared to \$5.1 million in 2004. We continued expansion of our corporate support functions due to execution of our business plan primarily associated with continued development of our search and recovery projects, expansion of our marketing and sales function, and expansion of our corporate support functions. Of the \$4.2 million increase, \$2.3 million resulted from expansion of our marketing and sales function primarily associated with development of a direct sales

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effort, \$0.6 million related to general and administrative expenses associated with start up of our themed attractions segment, and \$1.3 million was attributable to other general and administration expenses, corporate communication, information technology, professional and audit services primarily related to the implementation of Sarbanes-Oxley.

Income Taxes

For fiscal year 2005, we recorded a provision for income taxes of \$3.3 million compared to a provision for income taxes of \$3.5 million for fiscal year 2004. Net operating loss carryforwards resulted in a \$2.8 million net deferred tax asset as of December 31, 2004. Due to the uncertainty surrounding the realization of deferred tax assets resulting from operating loss carryforwards, we recorded a full valuation allowance of \$7.8 million against the deferred tax assets as of December 31, 2005. The effect of this non-cash adjustment was to reduce the net deferred tax asset to \$0 which resulted in a reduction of net income by \$7.8 million. In accordance with SFAS No. 109, "Accounting for Income Taxes," we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery of high value shipwrecks (such as the Sussex) and thus a valuation allowance has been recorded as of December 31, 2005. We anticipate that we will continue to incur net losses in 2006. Our ability to generate net income in future periods is dependent upon the success of our ability to recover and monetize high-value shipwrecks. We were optimistic that our search and recovery efforts in 2005 would have been more successful than we have reported. However, we continue to be confident that we have several potential high-value shipwreck targets which could be recovered in 2006. Our current estimates do not include monetizing any assets for shipwrecks which may be recovered in 2006 or beyond. We will continue to reassess the need for a valuation allowance during each future reporting period.

Liquidity and Capital Resources

(dollars in thousands)	2005	2004
Summary of Cash Flows:		
Net cash provided (used) by operating activities	\$(10,977)	\$ 2,761
Net cash used by investing activities	(5,477)	(4,121)
Net cash provided by financing activities	16,687	3,059
Net increase in cash and cash equivalents	\$ 233	\$ 1,699
Beginning cash and cash equivalents	3,050	1,351
Ending cash and cash equivalents	<u>\$ 3,283</u>	<u>\$ 3,050</u>

Source and Use of Funds

At December 31, 2005, we had cash and cash equivalents of \$3.3 million, an increase of \$0.2 million from the December 31, 2004 balance of \$3.1 million. Working capital and the ratio of current assets to current liabilities were \$7.6 million and 3.9 to 1.0, respectively at December 31, 2005, compared with \$8.4 million and 4.0 to 1.0, respectively, at December 31, 2004.

Net cash used in operating activities in 2005 was \$11.0 million. Cash used in operating activities for 2005 primarily reflected an operating loss of \$14.9 million, offset by deferred income taxes of \$2.8 million, depreciation of \$1.5 million, an increase in inventory and deposits and a decrease in accounts receivable. The net cash provided in operating activities for fiscal year 2004 primarily reflected positive operating results and deferred income taxes offset by an increase in inventory and accounts receivable.

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Cash flows used in investing activities were \$5.5 million and \$4.1 million for fiscal years 2005 and 2004, respectively. Cash used in investing activities for 2005 primarily reflected \$3.7 million for capital expenditures for our themed attractions segment including our New Orleans attraction, and \$1.8 million used for the capital expenditures for property, equipment and improvements. Cash used in investing activities for fiscal year 2004 primarily reflected the cash purchase of our office building and improvements, property and equipment and capital expenditures related to attraction development.

Cash flows provided by financing activities were \$16.7 million and \$3.1 million for fiscal years 2005 and 2004, respectively. In 2005, the cash provided by financing activities included \$16.8 million for the issuance of common stock which was primarily due to the exercise of outstanding warrants and common shares issued in our private placement, offset by \$0.1 million mortgage repayment. Cash provided by financing activities of \$3.1 million in fiscal year 2004 included the net proceeds from the sale of marketable securities of \$2.0 million and \$1.0 million from the proceeds of sale of common stock.

General Discussion

During March 2005, we received approximately \$6.4 million from the sale of 2.7 million shares of common stock which was raised as part of a private placement net of commissions. The private placement consisted of 2,700,000 units which were sold to four accredited institutional investors at a price of \$2.50 per unit. Each unit consisted of one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$3.50 per share during the two year period following the closing of the offering.

On April 21, 2005 we entered into a \$6.0 million revolving credit facility with the Mercantile Bank. The credit facility replaces our prior credit facility with The Bank of Tampa. The line of credit is secured by \$4.0 million of numismatic quality gold and 10,000 silver coins recovered from the *SS Republic* shipwreck. We intend to use the line of credit as a means to fund ongoing operations and equipment acquisitions as the need arises. We are presently in negotiations to restructure the Mercantile Bank credit facility to reduce the line of credit from \$6.0 million to \$3.0 million which would allow the existing collateralized gold coins to be released for sale and replaced with additional collateral of 5,000 silver coins.

During the latter half of 2005, approximately \$9.0 million was received from the exercise of outstanding warrants which had an expiration date of October 5, 2005. The warrants were primarily issued as part of previous private placements and all were exercisable at a price of \$2.50 per share.

The net proceeds from the private placement offering and warrant exercise was used to acquire additional equipment and technology to expand our search and recovery capabilities, to fund search and recovery operations, to fund themed attractions development and for general business purposes.

We held the grand opening of our first themed attraction, *Odyssey's Shipwreck & Treasure Adventure*, on August 27, 2005, at the Jax Brewery complex in the French Quarter of New Orleans. The attraction was closed early on the grand opening day due to Hurricane Katrina. The Jax Brewery building in which the attraction resides remained closed until February 2006. On February 15, 2006, we re-opened *Odyssey's Shipwreck & Treasure Adventure* in New Orleans. Unlike the rest of the city, the French Quarter escaped mostly intact and tourists are returning to the area. We are evaluating our business alternatives for a second attraction currently in development. We have approximately \$469,000 remaining on our commitment to complete the second attraction. On November 1, 2005, we forfeited \$50,000 by exercising our termination right for leased property relating to a potential themed attraction location and wrote off an additional \$267,000 which the company had invested in the location.

On March 13, 2006, the Company sold 2,500,000 shares of non-voting Series D Convertible Preferred Stock, par value \$0.0001 per share, at \$3.50 per share to two institutional accredited investors pursuant to the terms of a purchase agreement. The Series D Preferred Stock is convertible into Common Stock at a ratio of one (1) share of Common Stock for every one (1) share of Series D Preferred Stock. Proceeds of the private offering were \$8,750,000.

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Based upon current expectations, we believe our cash and cash equivalents, cash generated from operations, bank credit facility and proceeds from recent equity offering will satisfy our working capital requirements for at least 2006. However, we anticipate we will continue to incur net losses in 2006. Our ability to generate net income in future periods is dependent upon the success of our ability to recover and monetize high-value shipwrecks. We were optimistic our search and recovery efforts in 2005 would have been more successful than we reported. However, we remain confident that we have several potential high-value shipwreck targets which could be recovered in 2006.

As of December 31, 2005, we have inventory of approximately 1,200 gold and 39,000 silver coins. Our sales estimates for 2006 include selling all our remaining gold coins and approximately a quarter of our remaining silver coins. Our current estimates do not include monetizing any assets for shipwrecks which may be recovered in 2006. We estimate our cash requirements for operations and capital expenditures over the next twelve months will range from \$18 million to \$20 million. We may be required to reduce budgeted expenses if sales estimates are not attained. Our cash requirements are only estimates and may change to suit our business and operational requirements in 2006. However, we cannot guarantee that the sales of our products and other available cash sources will generate sufficient cash flow to meet our overall cash requirements. If cash flow is not sufficient to meet our business requirements, we may be required to raise additional capital through other financing activities.

2004 Compared to 2003

(dollars in millions)	2004	2003	2004 vs 2003	
			\$	%
Revenue	\$17.6	\$0.1	\$17.5	nm
Cost of sales	1.9	—	1.9	0%
Operations & research	2.0	2.6	(0.6)	(24)%
Marketing, general, & administrative	5.0	2.6	2.4	94%
Total cost and expenses	\$ 8.9	\$5.2	\$ 3.7	71%

nm – not meaningful

Revenue

Revenues for the fiscal year 2004 were \$17.6 million as compared to \$0.1 million in fiscal year 2003. Sales of artifacts from the SS *Republic* began in May 2004. Revenues for fiscal year 2004 consisted primarily of artifact sales representing approximately 9,000 gold and silver coins primarily sold to independent coin dealers. Revenues for the fiscal year 2003 consisted of search operations performed for a third party and miscellaneous merchandise sales.

Costs and Expenses

Cost of sales for fiscal year 2004 of \$1.9 million consisted of shipwreck recovery costs, grading, conservation and packaging, and shipping costs associated with artifact sales. Cost of sales as a percentage of revenue for 2004 was 11 percent. The major factors that contributed to cost of sales as a percentage of revenue include capitalized ship recovery costs, number of artifacts recovered, and revenue per artifact sold. Artifact sales during 2004 consisted of both gold and silver coins. Cost of sales as a percentage of revenue will change depending on the sales mix because of the significantly different unit sales prices for gold and silver coins. In 2004, we experienced a higher dollar mix of gold coins.

Operations and research expenses for fiscal year 2004 were \$2.0 million as compared to \$2.6 million for fiscal year 2003. Our recovery vessel was purchased in August 2003 when deployment operations began. The decrease in 2004 was primarily due to increased capitalized ship recovery costs in 2004. Ship recovery costs were capitalized beginning in November 2003 associated with the discovery of artifacts on the SS *Republic* and continued through 2004 as recovery operations continued. Total operations and research costs before

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capitalization were \$6.0 million for fiscal year 2004 compared to \$4.4 million for fiscal year 2003. The increase of \$1.6 million before capitalization was primarily due to recovery operations for the vessel *Odyssey Explorer* during the period; additional archaeological, conservation, and research expenses; and search operations by the vessel *RV Odyssey*.

Marketing, general and administrative expenses for fiscal year 2004 were \$5.0 million as compared to \$2.6 million for the fiscal year 2003. The increase of \$2.4 million resulted primarily from expansion of our corporate support functions due to execution of our business plan primarily associated with the recovery of the *SS Republic* artifacts. Of the \$2.4 million increase, \$1.7 million was the result of increased general and administrative expenses consisting primarily of personnel-related, insurance, depreciation and corporate communication expenses, and \$0.7 million was due to the expansion of our marketing and sales function including attraction development costs, personnel-related expenses and selling commissions for artifacts.

Income Taxes

For fiscal year 2004, we recorded a provision for income taxes of \$3.5 million compared to a benefit for income taxes of \$5.8 million for fiscal year 2003. Federal and state income taxes for 2004 have been provided for at an estimated annual effective rate of 37.6 percent. Net operating loss carryforwards resulted in a \$2.8 million net deferred tax asset as of December 31, 2004.

Liquidity and Capital Resources

(Dollars in thousands)	2004	2003
Summary of Cash Flows:		
Net cash provided (used) by operating activities	\$ 2,761	\$ (8,041)
Net cash used by investing activities	(4,121)	(5,599)
Net cash provided by financing activities	3,059	14,206
Net increase in cash and cash equivalents	\$ 1,699	\$ 566
Beginning cash and cash equivalents	\$ 1,351	785
Ending cash and cash equivalents	\$ 3,050	\$ 1,351

Source and Use of Funds

At December 31, 2004, we had cash and cash equivalents of \$3.1 million, an increase of \$1.7 million from the February 29, 2004 balance of \$1.4 million. Working capital as of December 31, 2004 was \$8.4 million as indicated by current assets exceeding current liabilities. Of the net \$1.7 million increase in cash for fiscal year 2004, \$3.1 million was provided from financing and \$2.8 million from operating activities which was offset by \$4.1 million used for investing activities.

The increase in cash provided by operating activities for fiscal year 2004 versus the fiscal year 2003, was primarily due to improvements in operating results offset, in part, by changes in working capital. Cash provided from operating activities of \$2.8 million for fiscal year 2004 consisted of \$5.2 million of net income and non-cash expenses of \$3.9 million primarily representing deferred income taxes and depreciation. Cash used in operating activities of \$6.3 million represented net changes in balance sheet accounts primarily consisting of an increase in inventory costs and accounts receivable and an increase in accrued expense liabilities.

Cash used in investing activities for fiscal year 2004, of \$4.1 million consisted of \$2.2 million of capital expenditures for purchases of property and equipment primarily associated with our marine operations and corporate expansion efforts, \$0.6 million for development of themed attractions, and \$1.3 million for the

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purchase of an existing office building and tenant improvements. A \$2.0 million mortgage payable was entered into to provide the balance of the funds required for the purchase of the building. Approximately 75 percent of the building is being utilized as our corporate headquarters and 25 percent is currently leased.

In 2004, cash provided by financing activities of \$3.1 million included \$1.5 million short term borrowing against our credit facility offset by a loan repayment of \$1.4 million, sales of marketable securities of \$2.0 million and proceeds from a combination of warrants and stock options exercised for the issuance of common stock of \$1.0 million.

Off Balance Sheet Arrangements

We do not engage in off-balance sheet financing arrangements. In particular, we do not have any interest in so-called limited purpose entities, which include special purpose entities (SPEs) and structured finance entities.

Indemnification Provisions

Under our bylaws and certain consulting and employment agreements, we have agreed to indemnify our officers and directors for certain events arising as a result of the officer's or director's serving in such capacity. The term of the indemnification agreement is as long as the officer or director remains in the employment of the company. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, our director and officer liability insurance policy limits its exposure and enables us to recover a portion of any future amounts paid. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal and no liabilities are recorded for these agreements as of December 31, 2005.

Critical Accounting Estimates

The discussion and analysis of our financial position and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect our financial position and results of operations. See Note A to the Financial Statements for a description of our significant accounting policies. Critical accounting estimates are defined as those that are reflective of significant judgment and uncertainties, and potentially result in materially different results under different assumptions and conditions. We have identified the following critical accounting estimates. We have discussed the development, selection and disclosure of these policies with our audit committee.

Long-lived Assets

As of December 31, 2005, we had approximately \$12.0 million of property and equipment and related assets. In accounting for these long-lived assets, we make estimates about the expected useful lives of the assets, the expected residual values of the assets, and the potential for impairment based on the fair value of the assets and the cash flows they generate. Our policy is to recognize impairment losses relating to long-lived assets in accordance with Financial Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows. To date no such impairment has been indicated.

Realizability of Deferred Tax Assets

In accordance with SFAS No. 109, "Accounting for Income Taxes," we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable and thus a valuation allowance of \$7.8 million has been recorded as of December 31, 2005. Our current estimates do not include monetizing any assets for shipwrecks which may be recovered in 2006 or beyond. We will continue to reassess the need for a valuation allowance during each future reporting period.

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Contractual Obligations

At December 31, 2005, the Company's contractual obligations including estimated payments due by period, are as follows:

(dollars in thousands)

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt	\$1,869	\$ 100	\$ 211	\$ 200	\$ 1,358
Interest on debt	1,353	140	260	228	725
Operating leases	1,972	994	603	375	—
Purchase obligations	469	469	—	—	—
Total contractual obligations	<u>\$5,663</u>	<u>\$ 1,703</u>	<u>\$ 1,074</u>	<u>\$ 803</u>	<u>\$ 2,083</u>

Long term debt represents the amount due on our existing mortgage for our office building. Operating leases consist primarily of our leases on our themed attraction in New Orleans and our conservation lab in Tampa. The purchase obligations in the table relate to contractual commitments to complete our second themed attraction.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. We do not believe we have material market risk exposure and have not entered into any market risk sensitive instruments to mitigate these risks or for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears beginning on page 26.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within required time periods.

Internal Controls over Financial Reporting

Management's report on our internal controls over financial reporting can be found in the financial statement section of this report. The Independent Registered Public Accounting Firm's attestation report on management's assessment of the effectiveness of our internal control over financial reporting can also be found in the financial statement section of this report.

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There have been no significant changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is hereby incorporated by reference under the heading "Election of Directors" "Executive Officers and Directors of the Company" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference under the heading "Executive Compensation" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A portion of the information required by this Item pursuant to Item 403 of Regulation S-K is hereby incorporated by reference under the heading "Security Ownership of Certain Beneficial Owners and Management" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

The information required pursuant to Item 201(d) of Regulation S-K is hereby incorporated by reference under the heading "Equity Compensation Plan Information" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is hereby incorporated by reference under the heading "Certain Relationships and Related Transactions" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is hereby incorporated by reference under the heading "Independent Auditor Fees" of the Company's Proxy Statement for the Annual Meeting of Stockholders on May 5, 2006.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

1. (a) Consolidated Financial Statements
See “Index to Consolidated Financial Statements” on page 27.
- (b) Consolidated Financial Statement Schedules
See “Index to Consolidated Financial Statements” on page 27.

All other schedules have been omitted because the required information is not significant or is included in the financial statements or notes thereto, or is not applicable.

2. Exhibits
The Exhibits listed in the Exhibit Index, which appears immediately following the signature page and is incorporated herein by reference, are filed as part of this Annual Report on Form 10-K.

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ODYSSEY MARINE EXPLORATION, INC.**

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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of the Chief Executive Officer and the Chief Financial Officer, management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework and the criteria established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2005.

The Company's independent auditor, Ferlita, Walsh & Gonzalez, P.A., a registered public accounting firm, has issued an attestation report on management's assessment of internal control over financial reporting, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Odyssey Marine Exploration, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Odyssey Marine Exploration, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income and cash flows for the fiscal year ended December 31, 2005, the ten month transition period ended December 31, 2004 and fiscal year ended February 29, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Odyssey Marine Exploration, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the fiscal year ended December 31, 2005, the ten month transition period ended December 31, 2004 and fiscal year ended February 29, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and in our report dated February 14, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of the internal control over financial reporting.

/s/ Ferlita, Walsh & Gonzalez, P.A.

FERLITA, WALSH & GONZALEZ, P.A.
Certified Public Accountants
Tampa, Florida

February 14, 2006

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors
Odyssey Marine Exploration, Inc. and Subsidiaries

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Odyssey Marine Exploration, Inc. and Subsidiaries maintained effective internal control over financial reporting of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Odyssey Marine Exploration, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Odyssey Marine Exploration, Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Odyssey Marine Exploration, Inc and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by COSO. Also, in our opinion, Odyssey Marine Exploration and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Odyssey Marine Exploration and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for the fiscal year ended December 31, 2005, the ten month transition period ended December 31, 2004 and fiscal year ended February 29, 2004, and our report dated February 14, 2006 expressed an unqualified opinion on those consolidated financial statements.

/s/ Ferlita, Walsh & Gonzalez, P.A.

Ferlita, Walsh & Gonzalez, P.A.

Certified Public Accountants

Tampa, Florida

February 14, 2006

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31, 2005	December 31, 2004
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	729,678	640,150
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	(2,738,572)	(1,328,202)
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	927,599	404,209
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	103,069	19,098
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	887,500	887,500
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	(18,989,077)	(4,069,192)
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.

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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><u>\$(14,919,885)</u></u>	<u><u>\$ 5,229,238</u></u>	<u><u>\$ 566,881</u></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

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

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	<u>45,823,224</u>	<u>38,530,599</u>	<u>37,993,099</u>
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	<u>4,582</u>	<u>3,853</u>	<u>3,799</u>
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	<u>43,870,228</u>	<u>26,430,934</u>	<u>25,147,839</u>
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	<u>(18,989,077)</u>	<u>(4,069,192)</u>	<u>(9,298,430)</u>
Total shareholders' equity	<u>\$ 24,885,733</u>	<u>\$22,366,149</u>	<u>\$15,856,196</u>
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	<u>\$(14,920,439)</u>	<u>\$ 5,226,804</u>	<u>\$ 569,869</u>

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

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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	<u>(10,977,069)</u>	<u>2,761,148</u>	<u>(8,040,519)</u>
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	<u>(5,476,867)</u>	<u>(4,120,533)</u>	<u>(5,599,246)</u>
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	<u>16,686,546</u>	<u>3,058,766</u>	<u>14,205,546</u>
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	<u>\$ 3,283,331</u>	<u>\$ 3,050,721</u>	<u>\$ 1,351,340</u>
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

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Summary of Significant Non-Cash Transactions

During the quarter ended March 31, 2005, warrants to purchase a total of 470,000 shares were issued to two persons associated with the placement agent as part of the commission paid in connection with a private placement of securities during the period. These warrants are exercisable at a price of \$3.50 per share for a period of two years. The fair value of these warrants as computed by the Black-Scholes option pricing model was \$.72 per warrant, or \$336,504. Due to the high volatility of our stock, we do not believe that the Black-Scholes model provides a realistic fair value for the warrants. These warrants do not have the characteristics of traded warrants, therefore, the warrant valuation models do not necessarily provide a reliable measure of the fair value. By agreement between the parties at the time of the offering, the Company used a fair value of \$.50 per warrant, or \$235,000.

The ending balance in Attraction development on December 31, 2004 for our New Orleans Attraction development in the amount of \$196,054 has been transferred to Property and equipment for the period ended December 31, 2005.

We previously reported \$1,888,742 in Attraction development purchases for the six month period ended June 30, 2005. This amount has been moved to Purchase of property and equipment for the fiscal year ended December 31, 2005.

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

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Odyssey Marine Exploration, Inc., is engaged in the archaeologically sensitive exploration and recovery of deep-water shipwrecks throughout the world and the operation of interactive attractions and exhibits which will entertain and educate multi-generational audiences, and present our unique shipwreck stories and artifacts. The corporate headquarters are located in Tampa, Florida.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding our financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity and have prepared them in accordance with our customary accounting practices.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Odyssey Marine, Inc., Odyssey Marine Services, Inc., OVH, Inc., Odyssey Retriever, Inc. and Odyssey Marine Entertainment, Inc. All significant inter-company transactions and balances have been eliminated.

Shipwreck Heritage Press, LLC was created during 2005 to publish and distribute print media. The entity does not have activity and has not been capitalized, and therefore, it is not consolidated.

Reclassifications

Certain operating expense amounts for the fiscal years ended February 29, 2004 and December 31, 2004 have been reclassified to conform to the presentation of the December 31, 2005 amounts. The reclassifications have no effect on net income for the fiscal years ended February 29, 2004 and December 31, 2004.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the fiscal years 2005, 2004, and 2003 was \$996,000, \$45,000, and \$4,500, respectively.

Revenue Recognition and Accounts Receivable

Revenue from sales is recognized at the point of sale when legal title transfers. Legal title transfers when product is shipped or is available for shipment to customers. Bad debts are recorded as identified and no allowance for bad debts has been recorded. A return allowance is established for merchandise sales which have a right of return. Accounts receivable is stated net of any recorded allowance for returns.

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in banks. We also consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, prepaid expense, investments, accounts payable, accrued expense, loan payable and mortgage payable approximate fair value. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that we could realize in a current market exchange.

Inventory

Our inventory consists of artifacts recovered from the SS Republic shipwreck, related packaging material for the artifacts, and merchandise.

The SS Republic shipwreck artifacts are recorded in inventory at the costs of recovery and conservation. The recovery costs also include the fee paid to an insurer to relinquish the insurers claim to the artifacts recovered and the shipwreck. We started capitalizing costs in November 2003 after establishing the artifacts being recovered had a net realizable value exceeding the costs being capitalized. We continued to capitalize the recovery costs until the shipwreck site was completely excavated. The capitalized costs include direct costs of recovery such as vessel and related equipment operations and maintenance, crew and technical labor, fuel, provisions and supplies, port fees and depreciation. Conservation costs include fees paid to conservators for cleaning and preparing the artifacts for sale. We continually monitor the recorded aggregate costs of the artifacts in inventory to ensure these costs do not exceed the net realizable value. We use historical sales, publications or available public market data to assess market value.

The packaging materials and merchandise are recorded at average cost. We record our inventory at the lower of cost or market.

Long-Lived Assets

Our policy is to recognize impairment losses relating to long-lived assets in accordance with Financial Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" based on several factors, including, but not limited to, management's plans for future operations, recent operating results and projected cash flows. To date, no such impairment has been indicated.

Comprehensive Income

United States Treasury bills owned by us during the year ending December, 31 2005, were deemed available-for-sale and carried at fair value. Unrealized gains and losses on these securities were excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. At December 31, 2005, we did not own any United States Treasury Bills.

Property and Equipment and Depreciation

Property and equipment is stated at historical cost. Depreciation is provided using the straight-line method at rates based on the assets' estimated useful lives which is normally between five and ten years. Leasehold

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

improvements are amortized over their estimated useful lives or the lease term, if shorter. Depreciation directly related to the recovery of the SS Republic cargo has been capitalized as inventory. Depreciation expense capitalized was directly related to our vessel *Odyssey Explorer* and supporting equipment during the SS Republic excavation.

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Depreciation and amortization	\$1,518,463	\$ 736,237	\$ 380,013
Less depreciation capitalized to inventory	72,912	374,123	115,235
Net depreciation expense	<u>\$1,445,551</u>	<u>\$ 362,114</u>	<u>\$ 264,778</u>

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if dilutive securities and other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in our earnings. Incurring a net loss during the period ended December 31, 2005 causes the potential common shares to have an anti-dilutive effect for the period and therefore such shares are excluded from the EPS calculation as identified in the below table. For the fiscal years ended December 31, 2004 and February 29, 2004, all other exercisable stock options and stock warrants were excluded from the computation of diluted EPS because the options exercise prices were greater than the average market price of the common shares and would have had an anti-dilutive effect if included in the computation.

At December 31, 2005 potential common shares, calculated using the treasury stock method, for the fiscal year ended December 31, 2005, the ten month transition period ended December 31, 2004 and the fiscal year ended February 29, 2004, were included in the computation of diluted EPS as follows:

	2005	2004
Weighted average common shares outstanding	42,373,217	38,400,329
Effect of potential common shares	—	1,853,720
Weighted average common shares basic and diluted	<u>42,373,217</u>	<u>40,254,049</u>

Potential common shares were also excluded from the calculation of diluted earnings per share because the effect of including the potential shares in the computation would have been anti-dilutive as follows:

	2005	2004
Average market price during the period	\$ 3.73	\$ 3.21
In the money potential common shares excluded	884,478	—
Stock Options with an exercise price of \$4.00 per share	60,500	—
Stock Options with an exercise price of \$5.00 per share	595,000	555,000
Warrants with an exercise price of \$5.25 per share	100,000	—
Anti dilutive warrants and options excluded from EPS	<u>1,639,978</u>	<u>555,000</u>

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a reconciliation of the numerators and denominators used in computing basic and diluted net income per share:

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Numerator, basic and diluted net income	\$(14,919,885)	\$ 5,229,238	\$ 566,881
Denominator:			
Shares used in computation – basic:			
Weighted average common shares outstanding	42,373,217	38,400,329	32,952,161
Shares used in computing basic net income per share	<u>42,373,217</u>	<u>38,400,329</u>	<u>32,952,161</u>
Shares used in computation – diluted:			
Weighted average common shares outstanding	42,373,217	38,400,329	32,952,161
Dilutive effect of options and warrants outstanding	—	1,853,720	1,326,384
Shares used in computing diluted net income per share	<u>42,373,217</u>	<u>40,254,049</u>	<u>34,278,545</u>
Net income per share – basic	\$ (0.35)	\$ 0.14	\$ 0.02
Net income per share – diluted	\$ (0.35)	\$ 0.13	\$ 0.02

Stock-Based Compensation

We account for stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and have adopted the disclosure provisions of Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123.” Under APB No. 25, when the exercise price of our employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized. Accordingly, no compensation expense has been recognized in the consolidated financial statements in connection with employee stock option grants.

The following table illustrates the effect on net income and earnings per share had we applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation,” to stock-based employee compensation.

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Net income(loss):			
As reported	\$(14,919,885)	\$5,229,238	\$ 566,881
Pro forma adjustment for compensation, net of tax	(1,312,896)	(703,952)	(252,823)
Pro forma	<u>\$ (16,232,781)</u>	<u>\$4,525,286</u>	<u>\$ 314,058</u>
Basic income(loss) per share:			
As reported	\$ (0.35)	\$ 0.14	\$ 0.02
Pro forma	\$ (0.38)	\$ 0.12	\$ 0.01
Diluted income(loss) per share:			
As reported	\$ (0.35)	\$ 0.13	\$ 0.02
Pro forma	\$ (0.38)	\$ 0.11	\$ 0.01

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The weighted average estimated fair value of stock options granted during the fiscal year ended December 31, 2005, the ten month transition period ended December 31, 2004 and the fiscal year ended February 29, 2004 were \$2.10, \$3.78 and \$1.21 respectively. These amounts were determined using the Black-Scholes option-pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, the expected dividend payments, and the risk-free interest rate over the life of the option. The assumptions used in the Black-Scholes model were as follows for stock options granted in the year ended December 31, 2005, ten month period ended December 31, 2004 and year ended February 29, 2004:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Risk-free interest rate	4.3%	3.6%	3.0%
Expected volatility of common stock	62.4%	469%	496%
Dividend Yield	0%	0%	0%
Expected life of options	5 years	5 years	4-5 years

The Black-Scholes option valuation model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Because option valuation models require the use of subjective assumptions, changes in these assumptions can materially affect the fair value of the options. Our options do not have the characteristics of traded options, therefore, the option valuation models do not necessarily provide a reliable measure of the fair value of our options.

On September 20, 2005, our Board of Directors approved the immediate vesting of unvested and “underwater” stock options to purchase 215,000 shares of common stock previously granted to employees and officers under Odyssey’s 1997 Employee Stock Option Plan with exercise prices of \$5.00 per share. The exercise price of the options was not changed. The primary purpose of the accelerated vesting of these “out of the money” options was to reduce the Company’s future reportable compensation expense upon the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), “Share Based Payment,” effective for our fiscal year beginning January 1, 2006. The valuation for the accelerated options has been included herein. By taking this approach, we expect to eliminate a charge to our income statement of approximately \$680,000 during 2006 and \$40,000 in 2007. As a result of the issuance of a revision of FASB SFAS No. 123, *Accounting for Stock-Based Compensation*, we will be required, beginning in the first quarter of 2006, to begin expensing the stock compensation related to options instead of the disclosure only requirement disclosed above.

Equity instruments issued, if any, to non-employees in exchange for goods, fees and services are accounted for under the fair value-based method of SFAS No. 123.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. (See NOTE R)

NOTE B – CONCENTRATION OF CREDIT RISK

We maintain our cash in five financial institutions. The Federal Deposit Insurance Corporation insures up to \$100,000 per account. At December 31, 2005 our uninsured cash balance was approximately \$2,789,000.

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and United States Treasury Bills maturing in less than ninety days from the date of purchase. At December 31, 2005, we did not own any United States Treasury Bills.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consists of trade accounts receivable resulting from customer sales of artifacts and merchandise. The balances at December 31, 2005 and 2004 are \$1,527,913 and \$2,104,914, respectively. The balance at December 31, 2005 is net of a publishing return reserve amount of \$127,398.

NOTE E – INVENTORY

Our inventory consists of the following:

	2005	2004
Artifacts	\$ 9,320,343	\$ 9,220,118
Merchandise	634,558	43,684
Packaging	613,407	440,927
Total Inventory	<u>\$ 10,568,308</u>	<u>\$ 9,704,729</u>

SS Republic recovery operations continued until February 2005. Based on our estimates of the timing of future sales, \$5,839,914 and \$5,945,177 of artifact inventory for the fiscal years ended 2005 and 2004 were classified as non-current.

The recorded amount of the SS Republic artifacts represents the accumulated capitalized costs of recovery and conservation of these items as follows:

	2005	2004
At beginning of year	\$9,220,118	\$ 3,638,814
Capitalized recovery costs	632,045	4,982,475
Capitalized conservation costs	0	1,974,614
Amounts recorded as artifacts for display	73,577	0
Amounts reported as cost of sales	<u>(605,397)</u>	<u>(1,375,785)</u>
At end of year	<u>\$9,320,343</u>	<u>\$ 9,220,118</u>

NOTE F – OTHER CURRENT ASSETS

Our other current assets consist of the following:

	2005	2004
Advances	\$ 41,778	\$ 5,927
Prepaid expenses	567,878	412,868
Deposits	<u>120,022</u>	<u>221,355</u>
Total Other current assets	<u>\$729,678</u>	<u>\$ 640,150</u>

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the period ended December 31, 2005, prepaid expenses consist of \$333,866 of prepaid insurance premiums and \$234,012 of other operating prepaid costs. For the period ended December 31, 2004, prepaid expenses consist of \$304,276 of prepaid insurance premiums and \$108,592 of other prepaid operating costs. All prepaid expenses are amortized on a straight-line basis over the term of the underlying agreements. Deposits are held by various vendors for equipment, services, and in accordance with agreements in the normal course of business.

NOTE G – PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

Class	2005	2004
Building, improvements and land	\$ 3,973,988	\$ 3,333,481
Computers and peripherals	639,643	317,714
Furniture and office equipment	802,082	197,075
Vessels and equipment	6,747,185	6,097,975
Exhibits and related	2,556,828	—
	<u>14,719,726</u>	<u>9,946,245</u>
Less: Accumulated depreciation	<u>(2,738,572)</u>	<u>(1,328,202)</u>
Property and equipment, net	<u>\$11,981,154</u>	<u>\$ 8,618,043</u>

NOTE H – ATTRACTION DEVELOPMENT

Attraction development balances of \$1,172,475 and \$569,634 for the periods ended December 31, 2005 and 2004, respectively, represent direct costs for project engineering and design costs and fabrication/construction costs for attraction exhibits in process of completion. During the current year, we transferred \$2,556,827 to Property and equipment upon the opening of our New Orleans exhibit. The \$1,172,475 remaining at the end of the current year relates to the in-process construction of our second exhibit. For further discussion see “Note U – Commitments and Contingencies”.

NOTE I – BUILDING AND LAND

On July 23, 2004, we purchased a 23,500 square foot two story office building for \$3,058,770 to serve as our corporate and operations headquarters. With tenant improvements the facility is recorded on the books at a cost of \$3,470,523. We currently lease approximately 25% of the space to a tenant.

NOTE J – OTHER LONG TERM ASSETS

Other long term assets consist of the following:

	2005	2004
Artifacts	\$ 323,323	\$ 396,879
Deposits	552,892	7,330
Image use rights, net	51,384	—
Total Other long term assets	<u>\$ 927,599</u>	<u>\$ 404,209</u>

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The artifact balances for both reportable years consist of artifacts conserved specifically for the company and are not for resale. Deposits include \$432,500 on account with the United Kingdom’s Ministry of Defense relating to the expense deposits for the HMS Sussex as well as a \$100,000 deposit to fund conservation and documentation of any artifacts recovered. These deposits are refundable from proceeds the United Kingdom would receive if the HMS Sussex is discovered and its artifacts monetized. If the HMS Sussex is not discovered, the Company is at risk for the entire amounts. Other deposits are held by various vendors for equipment, services, and in accordance with agreements in the normal course of business. Image use rights are amounts paid to utilize, for a period up to five years, copyrighted images in our themed attractions segment. The amount is net of \$1,326 of amortization.

NOTE K – MORTGAGE PAYABLE

On July 23, 2004, we entered into a mortgage loan for \$2,000,000 with the Bank of Tampa for the purchase of our corporate office building. The mortgage loan is due in 10 years and monthly payments are based on a 20 year amortization schedule. Interest, initially at 4.94%, will be adjustable semiannually based upon changes in the LIBOR (London Interbank Offered Rate) index. The interest rate at December 31, 2005 was 6.71%. Interest expense was \$119,833 for the period ended December 31, 2005 and \$41,630 for the ten months ended December 31, 2004.

Maturities of long-term debt associated with the mortgage payable are as follows:

Year Ending December 31,	
2006	\$ 100,000
2007	100,000
2008	100,000
2009	100,000
2010	100,000
2011 and thereafter	1,358,333
Total mortgage payable	1,858,333
Less current portion	100,000
Long term portion	<u>\$ 1,758,333</u>

During July 2014, the mortgage requires a balloon payment of \$1,000,000.

See “Note U – Commitments and contingencies” for information pertaining to consolidated commitments.

NOTE L – LOAN PAYABLE

Revolving Credit Facility

On April 21, 2005, we entered into a \$6 million revolving credit facility from the Mercantile Bank (the “Bank”). The credit facility replaces the Company’s prior credit facility with The Bank of Tampa. The credit facility has a floating interest rate equal to the “LIBOR 30-Day Index Rate” plus two hundred sixty-five basis points (2.65%), requires monthly payments of interest only and is due in full on April 21, 2008. The interest rate at December 31, 2005 was 6.94%. The Company is also required to pay the Bank an unused line fee equal to 0.25% per annum of the unused portion of the credit line, payable quarterly. The line of credit is secured by \$4 million of numismatic quality gold coins and 10,000 silver coins recovered by the Company from the SS Republic shipwreck. The Company’s custodian will hold the coins used as collateral until released by the Bank.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Additionally, the Company granted a first lien position on all corporate assets, including a provision not to pledge as collateral our Company-owned vessels. The Company is required to comply with a number of covenants including maintaining a minimum stockholders' equity of \$20,000,000, which amount may be increased after the first year. At December 31, 2005, the loan balance was \$11,433.

See "Note U – Commitments and contingencies" for information pertaining to consolidated commitments.

NOTE M – ACCRUED EXPENSES

Accrued expenses consist of following:

	<u>2005</u>	<u>2004</u>
Wages and bonuses	\$ 558,847	\$ 940,582
Vessel operations	639,026	76,302
Artifact conservation expenses	—	829,500
Other operating expenses	457,256	178,498
Themed attractions	188,132	—
Total accrued expenses	<u>\$ 1,843,261</u>	<u>\$ 2,024,882</u>

Vessel operations relates to expenditures required to operate our ships such as fuel, repair and maintenance and port fees. Other operating expenses contain general costs related to, but not limited to marketing, book distribution fees, professional services and the attraction and exhibits.

NOTE N – RELATED PARTY TRANSACTIONS

On December 9, 2002, a Georgia limited liability company acquired rights from an unrelated third party through a foreclosure sale to receive 5% of post finance cost proceeds, if any, from shipwrecks that we may recover within a predefined search area of the Mediterranean Sea. The shipwreck we believe to be HMS Sussex is located within this search area. Two of our officers and directors owned a 60% interest in the limited liability company until they sold their interests to an unrelated third party in 2005. In the event that political interference precludes the recovery efforts of the project, the officers would be required to buy back their interests.

A construction company, owned by the stepson of an officer of the company, was paid for renovation services on our corporate headquarters building amounting to \$105,259 and \$243,800 for the periods ended December 31, 2005 and 2004, respectively. Also, the spouse of a Company officer performed logo design services for the period ended December 31, 2005 amounting to \$3,525.

NOTE O – SALE OF REVENUE PARTICIPATION CERTIFICATES

We have sold through private placements of Revenue Participation Certificates ("RPCs") the right to share in our future revenues derived from the Cambridge project which refers to the Sussex shipwreck project. We also sold RPCs related to a project formerly called the Republic project which we now call the Seattle project. The Seattle project refers to a shipwreck which we have not yet located.

Each \$50,000 convertible Cambridge RPC entitles the holder to receive a percentage of the gross revenue received by us from the "Cambridge Project", which is defined as all cash proceeds payable to us as a result of the Cambridge Project, less any amounts paid to the British Government or their designee(s); provided, however, that all funds received by us to finance the project are excluded from gross revenue.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of April 30, 1999, when the offering was closed, we had sold \$825,000 of a maximum of \$900,000 of the Cambridge RPCs. As a group, the holders are entitled to 100% of the first \$825,000 of gross revenue, 24.75% of gross revenue from \$4 - 35 million, and 12.375% of gross revenue above \$35 million generated by the Cambridge project.

Distributions are to be made to each certificate holder within 15 days from the end of each quarterly reporting period in which we receive any cash proceeds from, or as a result of, the Cambridge Project. The Cambridge RPC units constitute restricted securities.

In a private placement, which closed in September 2000, we sold “units” comprised of Republic Revenue Participation Certificates, and Common Stock. Each \$50,000 “unit” entitled the holder to 1% of the gross revenue generated by the Seattle project (formerly referred to as the Republic project), and 100,000 shares of Common Stock. Gross revenue is defined as all cash proceeds payable to us as a result of the Seattle project, excluding funds received by us to finance the project.

When the offering was closed, in September 2000, a total of five \$50,000 units consisting of one Republic RPC and 100,000 shares of Common Stock had been sold, and the cost of each unit was allocated as \$37,500 for the stock and \$12,500 for the RPC. Therefore, a total of \$62,500 was reflected on the books as deferred income from the sale of Republic Revenue Participation Certificates.

As of December 31, 2005 we had sold, in total, \$887,500 of RPCs, which are reflected on the books as Deferred RPC Income to be amortized under the units of revenue method once management can reasonably estimate potential revenue for these projects.

These RPC issues do not have a termination date, therefore these liabilities will be carried on the books until revenue is recognized from these projects or we permanently abandon either project.

NOTE P – PREFERRED STOCK

We currently have 9,300,000 shares of Preferred Stock and 510,000 shares of Series A Convertible Preferred Stock that have been authorized and none outstanding. The Preferred Stock may be issued in series from time to time with such rights, designations, preferences and limitation as our Board of Directors may determine by resolution.

Series C Preferred Stock

On September 18, 2002, we established a series of Preferred Stock known as “Series C Convertible Preferred Stock” (“Series C Preferred Stock”), having a par value of \$.0001 per share and an authorization of one (1) share. One share of Series C Convertible Preferred Stock was issued for \$500,000 in cash.

On August 19, 2003 the share of Series C Convertible Preferred Stock was converted into 400,000 shares of our Common Stock and warrants to purchase 400,000 shares of our Common Stock at an exercise price of \$2.50 per share.

The converted share was then restored to the status of authorized but un-issued shares of Preferred Stock of the Corporation, without designation as to series, and may thereafter be issued.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE Q – COMMON STOCK OPTIONS AND WARRANTS

We adopted the 1997 Stock Option Plan on September 8, 1997. Under the terms of the plan, non-statutory options to purchase Common Stock are granted to employees, consultants and non-employee directors at not less than 100% of the fair market value of the shares on the date of grant or the par value thereof whichever is greater. Options currently expire no later than 5 years from the date of grant and are fully vested in two years or less. The cumulative number of shares which may be subject to options issued and outstanding pursuant to the plan is limited to 3,500,000 shares. Additional information with respect to the plan's stock option activity is as follows:

	Number of Shares	Weighted Average
		Exercise Price
Outstanding at February 28, 2003	1,140,000	\$ 0.80
Granted	1,745,000	\$ 2.34
Exercised	(423,500)	\$ 0.68
Cancelled	(22,500)	\$ 1.62
Outstanding at February 29, 2004	2,439,000	\$ 1.91
Granted	330,000	\$ 5.00
Exercised	(237,500)	\$ 1.18
Cancelled	(115,000)	\$ 3.64
Outstanding at December 31, 2004	2,416,500	\$ 3.79
Granted	245,000	\$ 3.43
Exercised	(602,625)	\$ 1.12
Cancelled	(67,500)	\$ 2.27
Outstanding at December 31, 2005	1,991,375	\$ 2.83
Options exercisable at February 29, 2004	1,024,000	\$ 1.21
Options exercisable at December 31, 2004	1,659,000	\$ 1.76
Options exercisable at December 31, 2005	1,850,250	\$ 2.86

On August 3, 2005, our Board of Directors approved and adopted our 2005 Stock Incentive Plan. This plan will be submitted to our shareholders at the Annual Meeting of Stockholders on May 5, 2005. The plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units and stock appreciation rights. We have reserved 2,500,000 of our authorized but unissued shares of common stock for issuance under the plan and not more than 500,000 of these shares may be used for restricted stock awards and restricted stock units. Any incentive option and any non-qualified option granted under the plan must provide for an exercise price of not less than the fair market value of the underlying shares on the date of grant, but the exercise price of any incentive option granted to an eligible employee owning more than 10% of our outstanding common stock must not be less than 110% of fair market value on the date of the grant.

The following table summarizes information about stock options outstanding at December 31, 2005:

Stock Options Outstanding

Range of Exercise Prices	Number of Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
\$1.00 - \$2.50	1,335,875	2.02	\$ 1.81
\$2.60 - \$5.00	655,500	3.10	\$ 4.91
	1,991,375	2.38	\$ 2.83

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2004, we had 3,950,000 warrants outstanding. These warrants were issued to one individual in connection with loans made to us, to one consultant for services, to ten individuals in connection with the conversion of loans into common stock, and to 52 individuals who purchased units in a private placement offering.

During the fiscal year ended December 31, 2005, all of the warrants outstanding at December 31, 2004 were exercised. Proceeds of \$9,869,750 were realized from the exercise of these warrants.

During March of 2005, we issued 3,170,000 warrants to six entities in a private placement offering. During the quarter ended September 30, 2005 we issued 100,000 warrants to a vendor for services relating to a marketing program. Warrants outstanding at December 31, 2005 are as follows:

Warrants	Price per Share	Expiration Date
3,170,000	3.50	3/09/07
100,000	5.25	(A)
<u>3,270,000</u>		

(A): During the quarter ended September 30, 2005 we issued 100,000 warrants having an exercise price of \$5.25 per share to a vendor for services relating to a marketing program. These warrants become vested and earned based upon future performance of the program, and may not be exercised until vested and earned, therefore expense will not be recorded until the warrants are vested and earned. The warrants have a two year exercise period commencing on the date when the warrants would be vested and earned.

During August 2003, an individual was issued 25,000 shares of restricted common stock and a warrant for the purchase of 25,000 shares of restricted common stock at \$2.50 per share, in exchange for data related to the SS Republic project. The data purchased was recorded as an operating expense in the amount of \$31,250.

NOTE R – INCOME TAXES

As of December 31, 2005, we had consolidated income tax net operating loss (“NOL”) carryforwards for federal income tax purposes of approximately \$30,551,000 and for state income tax purposes of approximately \$25,080,000. The federal and state NOL carryforwards will expire in various years ending through the year 2025.

The components of the provision for income taxes (benefits) are attributable to continuing operations as follows:

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Current			
Federal	\$ —	\$ —	\$ —
State	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Deferred			
Federal	\$ 3,180,768	\$ 2,984,843	\$ (5,228,090)
State	100,742	478,068	(534,013)
	<u>\$ 3,281,510</u>	<u>\$ 3,462,911</u>	<u>\$ (5,762,103)</u>

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred tax assets:	
Net operating loss carryforwards	\$11,490,811
Accrued expenses	302,879
Reserve for accounts receivable	45,897
Reserve for deferred costs	37,045
Less: valuation allowance	<u>(7,791,859)</u>
	<u>\$ 4,084,773</u>
Deferred tax liability:	
Prepaid expenses	\$ 110,025
Excess of tax over book depreciation	541,437
Artifacts recovery costs	3,357,765
Inventory reserve	4,227
Fixed asset basis	<u>71,319</u>
	<u>\$ 4,084,773</u>
Net deferred tax asset	<u>\$ 0</u>

As reflected above, we have recorded a net deferred tax asset of \$0 at December 31, 2005. In accordance with SFAS No. 109, "Accounting for Income Taxes," we have evaluated whether it is more likely than not that the deferred tax assets will be realized. Based on the available evidence, we have concluded that it is more likely than not that those assets would not be realizable without the recovery of high value shipwrecks (such as the Sussex) and thus a valuation allowance has been recorded as of December 31, 2005. We anticipate that we will continue to incur net losses in 2006. Our ability to generate net income in future periods is dependent upon the success of our ability to recover and monetize high-value shipwrecks. We were optimistic that our search and recovery efforts in 2005 would have been more successful than we have reported. However, we continue to be confident that we have several potential high-value shipwreck targets which could be recovered in 2006. Our current estimates do not include monetizing any assets for shipwrecks which may be recovered in 2006 or beyond. We will continue to reassess the need for a valuation allowance during each future reporting period.

The change in the valuation allowance is as follow:

December 31, 2005	\$7,791,859	December 31, 2004	\$10,993
December 31, 2004	<u>\$ 10,993</u>	February 29, 2004	<u>\$ —</u>
Change in valuation allowance	<u>\$7,780,866</u>	Change in valuation allowance	<u>\$10,993</u>

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income taxes for the twelve month period ended December 31, 2005, ten month period ended December 31, 2004 and twelve month period ended February 29, 2004 differ from the amounts computed by applying the effective income tax rate of 34.0% to income taxes as a result of the following:

	12 Month Period Ended December 31, 2005	10 Month Period Ended December 31, 2004	12 Month Period Ended February 29, 2004
Expected provision (benefit)	\$(3,956,231)	\$2,955,331	\$(1,818,328)
State income taxes net of federal benefits	(258,626)	314,826	(185,730)
Nondeductible (income) expenses	23,205	(6,552)	—
Change in valuation allowance	7,780,866	10,993	(3,756,168)
Effects of:			
Change in rate estimate	(321,937)	101,535	—
Change in NOL estimate	—	87,031	—
Other, net	14,233	(253)	(1,877)
Income tax provision (benefit)	<u>\$ 3,281,510</u>	<u>\$3,462,911</u>	<u>\$(5,762,103)</u>

During the twelve month period ended December 31, 2005 and ten month period ending December 31, 2004, we recognized certain tax benefits related to stock option plans in the amount of \$453,110 and \$252,836, respectively. Such benefits were recorded as an increase in the deferred tax asset and an increase in additional paid-in capital.

NOTE S – MAJOR CUSTOMERS

During the fiscal year ended December 31, 2005, we had two customers who accounted for 45.7% and 10.4% of our total sales. For the fiscal year ended December 31, 2004 we had four customers who accounted for 12.5%, 14.4%, 13.9%, and 23.0% of our total sales.

NOTE T – SEGMENT REPORTING

SFAS 131, Disclosures about Segments of an Enterprise and Related information, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer. The Company manages and evaluates the operating results of the business in two primary segments, shipwreck exploration and themed attractions. Because of the expansion of our themed attractions, we began reporting segment information for the three and nine months ended September 30, 2005.

Shipwreck Exploration – This segment includes all operating activities for exploration and recovery of deep-water shipwrecks including the marketing, promotion and distribution of recovered artifacts, related replicas, merchandise and books through various retail and wholesale sales channels.

Themed Attractions – This segment is responsible for the development and operation of interactive attractions and exhibits which will entertain and educate multi-generational audiences, and present our unique shipwreck stories and artifacts.

The accounting policies of the business segments are the same as those described in the summary of significant accounting policies included in Note A. Management evaluates the operating results of each of its

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

reportable segments based upon revenues and operating income (loss) before taxes. Corporate overhead supporting segments including legal, finance, human resources, information technology, real estate facilities, as well as stock based compensation is included within the shipwreck exploration segment and not allocated to themed attractions.

(amounts in thousands)	<u>Shipwreck Exploration</u>	<u>Themed Attractions</u>	<u>Consolidated</u>
Segment Information			
<i>Twelve months ended December 31, 2005</i>			
Revenues from external customers	\$ 9,983	\$ 54	\$ 10,037
Income (loss) before income taxes	\$ (9,499)	\$ (2,139)	\$ (11,638)
Segment assets	\$ 25,349	\$ 4,841	\$ 30,190

NOTE U – COMMITMENTS AND CONTINGENCIES

Rights to Future Revenues, If Any

We have sold the rights to share in future revenues, if any, with respect to the Seattle (formerly Republic) and Cambridge projects and have recorded \$887,500 as Deferred Income From Revenue Participation Certificates (See NOTE O). We are contingently liable to share the future revenue of these projects only if revenue is derived from these specific projects.

To date, the only income derived from these projects resulted in a one time revenue distribution payment of \$12,986 to the holders of the Cambridge RPC's.

Revenue from the SS Republic shipwreck or its cargo are not subject to revenue sharing.

In addition, on May 26, 1998, we signed an agreement with a subcontractor that entitled it to receive 5% of the post finance cost proceeds from any shipwrecks in a predefined search area of the Mediterranean Sea. A shipwreck we have found, which we believe to be the HMS Sussex, is located within the specified search area and we will be responsible to share future revenues, if any, from this shipwreck. On December 9, 2002, a Georgia limited liability company acquired the 5% interest from the subcontractor through a foreclosure sale. (See NOTE N)

Legal Proceedings

On or about December 14, 2004 a complaint was filed against seven defendants including the Company in the Court of Common Pleas in the Ninth Judicial Circuit, County of Charleston, in the State of South Carolina. The complaint was filed by Republic & Eagle Associates, Inc. and Sea Miners, Inc. against John Morris, Greg Stemm, John Lawrence, John Balch, Daniel Bagley, Seahawk Deep Sea Technologies, Inc. ("Seahawk") and the Company. The plaintiff's allegations include breach of fiduciary duty, civil conspiracy and breach of contract based primarily upon an alleged contract(s) between the plaintiff's and Seahawk dated May 16, 1995 dealing with the search for the S.S. Republic. The plaintiff's allege that their research which was provided to Seahawk led to the discovery of the S.S. Republic and they seek an unspecified amount of damages and public recognition of their contribution. On February 18, 2005, John Morris, Greg Stemm, Daniel Bagley, and the Company filed their Notice of Motion and Motion to Dismiss Defendants John Morris, Greg Stemm, Daniel Bagley and Odyssey Marine Exploration, Inc. (the "Motion"). In the Motion, the defendants allege that the complaint should be dismissed because, among other things, the South Carolina court does not have jurisdiction over them, the

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

action was filed in an improper venue, plaintiffs lack the capacity to maintain the action, and the action should be barred based on the Doctrine of Forum Non Conveniens. The parties continue to engage in discovery. While the South Carolina court has not yet heard nor ruled on the Motion, we expect that a hearing will be held in April 2006 concerning our motion to dismiss the case based upon a lack of jurisdiction. Management believes the lawsuit is without merit and intends to vigorously defend the action.

The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Management currently believes that these claims and suits will not have a material adverse impact on its financial position or its results of operations.

Partnering Agreement

On September 27, 2002, we entered into an agreement (the “Agreement”) with the Government of the United Kingdom of Great Britain and Northern Ireland (the “British Government”). The Agreement allows us to conduct an archaeologically sensitive exploration of the shipwreck believed to be HMS Sussex and to recover artifacts and cargoes from the wreck site.

The Agreement required us to submit a Project Plan (the “Plan”) to the British Government concerning the equipment, personnel and methodologies we intend to use in the exploration of the shipwreck, and the conservation and documentation of any artifacts and cargo that may be recovered. We submitted our Plan to the government on November 11, 2002, and received approval on May 22, 2003.

We have paid a 5,000 pounds (approximately \$7,845) refundable license fee and an expense deposit of 250,000 pounds (\$432,500) for the British Government’s expenses in connection with the project. The deposit is not refundable if the project is not successful. At such time as we represent to the British Government that we have recovered \$3.5 million worth of cargo and/or artifacts, all funds advanced for the British Government’s expenses will be returned to us. We were also required to fund a \$100,000 deposit to ensure that funds are available for the conservation and documentation of any artifacts recovered. The Agreement provides a mechanism for raising or lowering the deposit amount depending upon the quantity and condition of the artifacts that need to be conserved and documented.

The following sharing arrangements have been agreed upon with respect to the aggregate amount of the appraised values and/or selling prices of the artifacts, net of agreed selling expenses:

<u>Range</u>	<u>British Government</u>	<u>Odyssey</u>
\$0 - \$45 million	20%	80%
\$45 million to \$500 million	50%	50%
Above \$500 million	60%	40%

In addition to the percentages specified above, we will also pay the British Government 10% of any net income we derive from intellectual property rights associated with the project.

We also received the exclusive worldwide right to use the name “HMS Sussex” in connection with sales and marketing of merchandise (exclusive of artifacts) related to the wreck, and the British Government will receive 3% of the gross sales of such merchandise.

The Agreement is for a period of 20 years, and may only be terminated if the shipwreck is not the HMS Sussex or if we are in serious breach of our obligations under the Agreement.

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other commitments and contingencies

At December 31, 2005, the Company's future contractual obligations are as follows:

(dollars in thousands)	Payments due by period						
	Total	2006	2007	2008	2009	2010	More than 5 years
Contractual Obligations							
Long term debt	\$ 1,869,766	\$ 100,000	\$ 100,000	\$ 111,433	\$ 100,000	\$ 100,000	\$ 1,358,333
Interest on debt	1,352,408	139,917	133,689	125,883	118,076	110,269	724,574
Operating leases	1,972,135	993,785	327,008	276,136	238,025	137,181	—
Purchase obligations	469,000	469,000	—	—	—	—	—
Total contractual obligations	\$ 5,663,309	\$ 1,702,702	\$ 560,697	\$ 513,452	\$ 456,101	\$ 347,450	\$ 2,082,907

Long term debt represents amount due on our existing mortgage for our office building. Operating leases consist primarily of our leases on our themed attraction in New Orleans and our conservation lab in Tampa. The purchase obligations in the table relate to contractual commitments to complete our second themed attraction.

See "Note K – Mortgage payable" and "Note L – Loan payable" for related information.

Trends and Uncertainties

Based upon current expectations, we believe our cash and cash equivalents, cash generated from operations, and bank credit facility, will allow us to continue as a going concern during 2006. However, we anticipate we will continue to incur net losses in 2006. Our ability to generate net income in future periods is dependent upon the success of our ability to recover and monetize high value shipwrecks. We were optimistic our search and recovery efforts in 2005 would have been more successful than we have reported. However, we continue to be confident we have several potential high-value shipwreck targets which could be recovered in 2006.

As of December 31, 2005, we have inventory of approximately 1,200 gold and 39,000 silver coins. Our sales estimates for 2006 include selling all our remaining gold coins and approximately a quarter of our remaining silver coins. Our current estimates do not include monetizing any assets for shipwrecks which may be recovered in 2006. We estimate that our cash requirements for operations and capital expenditures over the next twelve months will range from \$18 million to \$20 million. We may be required to reduce budgeted expenses if sales estimates are not attained. Our cash requirements are only estimates and may change to suit our business and operational requirements in 2006. However, we cannot guarantee the sales of our products and other available cash sources will generate sufficient cash flow to meet our overall cash requirements. If cash flow is not sufficient to meet our business requirements, we may be required to raise additional capital through other financing activities.

NOTE V – RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004) (SFAS No. 123R), *Share-Based Payment*. SFAS No. 123R will require the Corporation to expense share-based payments, including employee stock options, based on their fair value.

SFAS No. 123R permits public companies to adopt its requirements using one of two methods. The first adoption method is a "modified prospective" method in which compensation cost is recognized beginning with

ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

the effective date (i) based on the requirements of SFAS No. 123R for all share-based payments granted after the effective date and (ii) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123R that remain unvested on the effective date. The second adoption method is a “modified retrospective” method, which includes the requirements of the modified prospective method described above, but also permits entities to restate, based on the amounts previously recognized under SFAS No. 123 for purposes of pro forma disclosures, either (i) all prior periods presented or (ii) prior interim periods in the year of adoption.

The Corporation is required to adopt SFAS No. 123R effective as of January 1, 2006, and plans to utilize the modified prospective method of adoption. As permitted by SFAS No. 123, the Corporation currently accounts for share-based payments to employees under APBO No. 25 using the intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, we believe the adoption of SFAS No. 123R’s fair value method will not have a significant impact on the Corporation’s overall financial position. The impact of adoption of SFAS No. 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Corporation adopted SFAS No. 123R in prior years, the impact of that adoption would have approximated the impact of SFAS No. 123 as described in the disclosure of pro forma net earnings and pro forma earnings per share in footnote B. SFAS No. 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as currently presented. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption.

NOTE W – SUBSEQUENT EVENT (UNAUDITED)

On March 13, 2006, the Company sold 2,500,000 shares of non-voting Series D Convertible Preferred Stock, par value \$0.0001 per share, at \$3.50 per share to two institutional accredited investors pursuant to the terms of a purchase agreement. The Series D Preferred Stock is convertible into Common Stock at a ratio of one (1) share of Common Stock for every one (1) share of Series D Preferred Stock. Proceeds of the private offering were \$8,750,000.

SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS
For the Fiscal Years of 2003, 2004 and 2005
ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES

	<u>Balance at</u> <u>Beginning</u> <u>of Year</u>	<u>Charged</u> <u>(Credited)</u> <u>to Expenses</u>	<u>Charged</u> <u>(Credited)</u> <u>to Other</u> <u>Accounts</u>	<u>Deductions</u>	<u>Balance at</u> <u>End of</u> <u>Year</u>
Deferred income tax asset Valuation allowance					
2003	\$ —	\$ —	\$ —	—	\$ —
2004	—	10,993	—	—	10,993
2005	10,993	7,780,866	—	—	7,791,859

EXHIBITS INDEX

Exhibit Number	Description	Location
3.1	Articles of Incorporation, as amended	Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-KSB for the year ended February 28, 2001
3.2	Bylaws	Incorporated by reference to Exhibit 3.2 to the Company's Report on Form 8-K dated February 28, 2006
3.3	Designation of Series B Convertible Preferred Stock	Incorporated by reference to Exhibit 3.3 to the Company's Report on Form 8-K dated February 28, 2001
3.4	Amended Certificate of Designation of Series C Convertible Preferred Stock	Incorporated by reference to Exhibit 3.4 to the Company's Report on Form 8-K dated September 19, 2002
10.1	Employment Agreement dated May 22, 2002, with David A. Morris	Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB For the year ended February 28, 2002
10.2	Employment Agreement dated May 22, 2002, with Greg Stemm	Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-KSB For the year ended February 28, 2002
10.3	Employment Agreement dated May 22, 2002, with John C. Morris	Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB For the year ended February 28, 2002
10.4	Employment Agreement dated May 22, 2002, with George Becker	Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-KSB For the year ended February 28, 2003
10.5	1997 Stock Option Plan	Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-KSB for the year ended February 28, 2001
10.6	Partnering Agreement Memorandum Concerning the Shipwreck of HMS Sussex, dated September 27, 2002	Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-QSB For the quarter ended August 31, 2002
10.7	Revolving Credit Agreement with Bank of Tampa dated June 24, 2004	Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K dated June 24, 2004
10.8	Revolving Credit Note to Bank of Tampa dated June 24, 2004	Incorporated by reference to Exhibit 10.2 to the Company's Report on Form 8-K dated June 24, 2004
10.9	Security Agreement with Bank of Tampa dated June 24, 2004	Incorporated by reference to Exhibit 10.3 to the Company's Report on Form 8-K dated June 24, 2004
10.10	Contract with RBK Architects For 8,000 square foot exhibit	Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-KT For the year ended December 31, 2004

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<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
10.11	Contract with RBK Architects For 5,000 square foot exhibit	Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-KT For the year ended December 31, 2004
10.12	Revolving Credit Agreement with Mercantile Bank dated April 21, 2005	Filed herewith electronically
10.13	Revolving Credit Note to Mercantile Bank dated April 21, 2005	Filed herewith electronically
10.14	Security Agreement with Mercantile Bank dated April 21, 2005	Filed herewith electronically
10.15	Lease Agreement dated June 1, 2005 with Jackson Brewery Millhouse, LLC, for attraction exhibit space	Incorporated by reference to Exhibit 10.14 to the Company's Report on Form 8-K dated June 2, 2005
10.16	2005 Equity Incentive Plan	Incorporated by reference to Exhibit 10.14 to the Company's Report on Form 8-K dated August 3, 2005
21	Subsidiaries of the Registrant	Filed herewith electronically
23	Consent of Independent Public Accountants	Filed herewith electronically
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350	Filed herewith electronically
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith electronically

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT, made this 21st day of April, 2005, by and between **ODYSSEY MARINE EXPLORATION, INC.**, a Nevada corporation, whose address is 5215 West Laurel Street, Tampa, Florida 33607 (“Borrower”), and **MERCANTILE BANK**, whose address is 2307 West Kennedy Boulevard, Tampa, FL 33609 (“Lender”).

WITNESSETH:

WHEREAS, Borrower desires to borrow money for business purposes, and Borrower has requested a line of credit from Lender, and Lender is willing to loan certain sums to Borrower from time to time on the terms set forth herein; and

WHEREAS, certain capitalized terms used in this Agreement are defined in Section 10 hereof;

NOW, THEREFORE, it is agreed as follows:

1. Revolving Credit Loan.

(a) **Revolving Credit Commitment**. Subject to the terms and conditions hereof, Lender agrees to make Advances to Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed SIX MILLION AND 00/100 DOLLARS (\$6,000,000.00) (the “Commitment”). As long as no Event of Default has occurred hereunder and no Default has occurred that, with the passage of time, the giving of notice, or both, shall constitute an Event of Default hereunder, Borrower shall be entitled to borrow, repay or prepay and reborrow, by delivering to Lender a Draw Request in the form of Exhibit “A” attached hereto (“Draw Request”).

(b) **Revolving Credit Note**. The Revolving Credit Loan shall be evidenced by a promissory note of Borrower payable to the order of Lender substantially in the form of Exhibit “B” attached hereto (“Revolving Credit Note”).

(c) **Interest**. The Revolving Credit Loan shall accrue interest as provided in the Revolving Credit Note.

(d) **Borrower’s Loan Account**. Lender shall enter in its records of this Revolving Credit Loan all Advances under the Revolving Credit Loan and all payments made by or on behalf of Borrower on account thereof. Any payments shall be credited first to payment of any late charges, fees or expenses, if any, then to accrued and unpaid interest and the balance, if any, (“Credit”) to principal. Lender shall provide Borrower a monthly accounting of transactions under the Revolving Credit Loan. Each such accounting shall be deemed final, binding and conclusive upon Borrower in all respects as to all matters as reflected therein, unless Borrower, within thirty (30) days after the date the accounting is rendered, notifies Lender in writing of any objections, describing the basis for such objections with specificity. In such event, only those items expressly objected to in the notice shall be deemed disputed by Borrower.

(e) **Revolving Credit Commitment Period**. The Commitment Period shall terminate on April __, 2008 (the "Termination Date") unless Borrower shall earlier terminate the Commitment. Lender shall review its Commitment hereunder annually, with the first review to occur on or about the first anniversary hereof.

(f) **Termination or Reduction of Commitment**. Borrower shall have the right, upon not less than five (5) Business Days' written notice to Lender, to terminate or reduce the Commitment at any time, provided that any notice of termination shall be accompanied by payment in full of the Revolving Credit Loan and the Advances outstanding thereunder and provided that any notice of reduction shall be accompanied by payment in full of the Revolving Credit Loan balance that exceeds the reduced Commitment.

(g) **Unused Line Fee**. Borrower hereby agrees to pay Lender an unused line fee at a rate equal to one-fourth of one percent (0.25%) per annum calculated upon the amount by which \$6,000,000.00 exceeds the average daily principal balance of the outstanding Advances during the immediately preceding calendar quarter (or part thereof) while this Agreement is in effect and for so long thereafter as any of the Advances are outstanding, which fee shall be payable quarterly in arrears.

(h) **Mandatory Payments**. In the event that Lender shall notify Borrower that the current Revolving Credit Loan balance exceeds the Commitment, Borrower shall immediately repay the Revolving Credit Loan by the amount of such excess.

(i) **Permissive Prepayments**. Borrower may, at any time and from time to time, pay or prepay the Revolving Credit Loan, in whole or in part, without payment of any premium or penalty.

(j) **Use of Proceeds**. The proceeds of the Revolving Credit Loan shall be used by Borrower for working capital requirements.

2. Security. As security for the Loan, Borrower shall at Closing execute and deliver to Lender the Security Agreement, granting to Lender a lien and security interest on, in and to all of the assets described on Exhibit "D" which is attached hereto and made a part hereof, now owned or hereafter acquired, and the proceeds and products thereof ("Collateral") free of all claims, liens and encumbrances except for claims, liens and encumbrances, if any, listed on Exhibit "D," except for liens and encumbrances in favor of Lender, and except for Permitted Liens (as defined below). Borrower authorizes the filing by Lender, in form and substance satisfactory to Lender, of UCC-1 financing statements describing the Collateral and determined by the Lender to be desirable to perfect the liens and security interests referred to in this paragraph.

As further security for the Loan, Borrower hereby assigns and grants to Lender a security interest in and to all property of Borrower which is or may hereafter be in Lender's possession (by deposit, assignment, purchase or otherwise) in any capacity including but not limited to all monies owed or to be owed by Lender to Borrower, deposits (whether or not Lender has possession of any certificate of deposit or other indicia of ownership), and stocks, bonds or other securities held in any securities trading account, custodial account or otherwise; and with respect to all such property, Lender shall have the same rights as it has to any Collateral.

As further security for the Loan, Borrower shall at Closing execute and deliver to Lender the Negative Pledge Agreement, whereby Borrower will covenant and agree that no claims, liens or encumbrances of any kind shall be placed upon vessels owned by the Borrower.

3. Representations and Warranties of Borrower. In order to induce Lender to make the Loan, Borrower makes the following representations and warranties:

(a) Corporate Status. Borrower (i) is duly incorporated, validly existing and in good standing under the laws of the State of Nevada; (ii) has qualified as a foreign corporation to transact business and is in good standing in Florida; (iii) has qualified as a foreign corporation to transact business and is in good standing in every other jurisdiction in which any Collateral is located or the nature of its business or properties makes such qualification necessary or Borrower owns or leases material properties or conducts material business; (iv) has the requisite corporate power and authority to own, pledge and operate its properties, to lease the properties it operates under lease and to conduct its business as it is now being conducted; and (v) is in compliance in all material respects with its articles of incorporation and bylaws.

(b) Authorization; No Default. The execution, delivery and performance by Borrower of this Agreement and each Loan Document to which it is or will become a party (i) has been duly authorized on behalf of Borrower by all necessary corporate action; (ii) does not contravene any law, statute, rule or regulation or any judgment, decree or order of any court or governmental agency by which Borrower is bound, or Borrower's articles of incorporation, bylaws, or any preference stock provisions; (iii) shall not result in or constitute a default under any agreement, contract, indenture, mortgage, deed of trust, security agreement or other instrument to which Borrower is a party or by which Borrower or any of its property, including any Collateral, is bound; and (iv) shall not result in the creation or imposition of (or the obligation to create or impose) any lien, charge or encumbrances upon any assets or property of Borrower or upon any Collateral.

(c) Validity. When executed and delivered by the parties hereto and thereto, this Agreement and the Loan Documents shall be valid and binding obligations of Borrower, and shall be enforceable against Borrower in accordance with their terms, except as enforceability may be limited by equitable principles or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

(d) Financial Statements. Borrower has delivered or otherwise made available to Lender: (i) an audited consolidated balance sheet of Borrower and its Subsidiaries as of December 31, 2004, and the related audited consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal year then ended, including in each case the notes thereto, and (ii) the unaudited consolidated balance sheets of Borrower and its Subsidiaries as of May 31, August 31, and November 30, 2004, and the related unaudited statements of operations and cash flows for the three-, six- and nine-months, respectively, then ended, including in each case the notes thereto. Such financial statements (x) fairly present, in all material

respects, the consolidated financial condition of Borrower and its Subsidiaries as of the dates thereof and the results of Borrower's and its Subsidiaries' consolidated operations for the periods covered thereby and (y) have been prepared in accordance with GAAP, consistently applied in the various statements throughout the periods involved, except as otherwise expressly stated therein, and show all known material liabilities of Borrower and its Subsidiaries, including contingent liabilities, long-term leases and unusual commitments as of the dates thereof. Since the date of the balance sheet included in the most recent financial statements, there has been no adverse material change in the consolidated financial condition of Borrower. All other information submitted by Borrower in support of the application for the Loan is true and correct in all material respects as of the date of this Agreement, except to the extent that such information expressly relates to an earlier date, and no material adverse change has occurred.

(e) Property and Assets . Borrower has good and marketable title to all of Borrower's properties reflected in its balance sheets and financial statements (except such as have been disposed of in the ordinary course of business since the date of such balance sheets or financial statements), including without limitation the Collateral described on Exhibit "D," and such properties are free and clear of all liens, charges and encumbrances, except for liens for taxes and assessments not yet due and except such liens, charges and encumbrances, if any, on properties acquired subsequent to such balance sheets or financing statements and disclosed to Lender. It is acknowledged by Borrower that the only liens, encumbrances and charges permitted under this Agreement with respect to the Collateral are the Permitted Liens, as defined in Section 5 (a).

(f) Coins . All of the Collateral consisting of Coins, as described in Exhibit D (the "Coins"), was recovered by the Borrower from the coordinates described in the Judgment entered by the United States District Court for the Middle District of Florida on March 24, 2004, in the case styled *Odyssey Marine Explorations, Inc. v. The Unidentified Shipwrecked Vessel or Vessels, et al.* , Case No. 8:03-CV-1668-T-24TBM (the "Case"). The coordinates described in the Case are not within any state or national boundaries. No persons other than Atlantic Mutual Insurance Company and the United States Government have provided notice to Borrower of any claims to any interest in or to the Coins. Borrower has not assigned, conveyed or otherwise transferred any of its rights to the Collateral to any Person, except pursuant to this Agreement and the Collateral Control Agreement.

(g) Loss . No substantial loss, damage, destruction or taking of any of the real or personal property of Borrower or of the real or personal property leased by Borrower has occurred which has not been fully restored or replaced or which is not fully covered by insurance, less applicable deductibles, and neither such property nor the business of Borrower has been adversely affected in any substantial way as the result of any theft, accident, strike, lockout, embargo, riot, war, or act of God, or the public enemy.

(h) Litigation . There are no investigations, actions, suits, or proceedings by any federal, state or local government body, agency or authority, or by any person, pending, or to the knowledge of Borrower, threatened against Borrower or its Subsidiaries, or other proceedings to which Borrower or its Subsidiaries are a party (including administrative or arbitration

proceedings), (i) which involve the possibility of any judgment or liability not fully covered by insurance or by adequate reserves established by Borrower, (ii) which may result in any material adverse change in the business or condition, financial or otherwise, of Borrower, or in any right, interest or title Borrower has in the Collateral, (iii) which involves any claim of title to the Collateral, or (iv) which, to the knowledge of Borrower, seek to restrain, enjoin, prohibit or obtain damages or other relief with respect to the Borrower's conduct of its Business or the transaction contemplated by this Agreement, including, but not limited to, the denial of any necessary permit, license or certificate.

(j) Contracts; No Defaults . Borrower is not a party to any contract, agreement, lease or other instrument which would materially and adversely affect the Collateral, Borrower's property, the Business, operations or financial condition or Borrower's ability to perform its obligations under this Agreement or any other Loan Document. Borrower is not in default under any contract, agreement, lease or other instrument to which is a party and which is material to its property, the Business, prospects, operations or financial condition. No event of default or occurrence that, with the giving of notice, the passage of time, or both, would constitute an event of default thereunder has occurred and is continuing.

(j) Governmental Approvals . Borrower has complied in all material respects with all applicable laws and requirements of governmental authorities including those governing Borrower's conduct of its Business. No authorization or approval or other action by, and no notice to or filing with, any federal, state or local government body, agency or authority is required for the due execution, delivery and performance by Borrower of this Agreement or any other Loan Document.

(k) Subsidiaries . Borrower has no subsidiaries (including subsidiaries of Borrower and/or one or more subsidiaries) except Odyssey Marine, Inc., a Florida corporation ("Marine"), OVH, Inc., a Nevada corporation ("OVH"), Odyssey Marine Services, Inc., a Nevada corporation ("Marine Services"), Odyssey Retriever, Inc., a Nevada corporation ("Retriever"), and Odyssey Marine Entertainment, Inc., a Nevada corporation ("Odyssey Entertainment", and together with Marine, OVH, Marine Services, and Retriever, collectively the "Subsidiaries").

(l) Securities Laws . No proceeds of the Loan will be used to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended. Borrower is not an "investment company" or a company "controlled" by an "investment company" (within the meaning of the Investment Company Act of 1940, as amended).

(m) Margin Regulations . Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System). No proceeds of the Loan will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

(n) Taxes . Borrower has filed all federal, state, local and foreign income tax returns, which to its knowledge, Borrower is required to file, and has paid all taxes as shown on said returns and all assessments received by Borrower to the extent that such taxes have become due.

(o) ERISA.

(i) All pension or welfare benefit plans within the respective meanings of Section 3(2) and 3(1) of ERISA other than multiemployer plans (within the meaning of Section 3(37) of ERISA), to which Borrower is a party or to which Borrower makes any employer contributions with respect to employees, are set forth on Exhibit “E” which is attached hereto and made a part hereof. With regard to the current or prior plan years of each plan referred to in Exhibit “F,” all contributions required to meet the employer contribution obligations of Borrower under Section 412 of the Code, Part 3 of Title I(B) of ERISA, the terms of the plan itself, or any applicable collective bargaining agreement, with respect to the elapsed portion of the current and previous plan years, have been duly made, and such plan and its related trust have not incurred any accumulated funding deficiency (within the meaning of Section 412(a) of the Code and Section 302 of ERISA) since the effective date of ERISA.

(ii) Borrower is not a party to any multiemployer plans (within the meaning of Section 3(37) of ERISA). In addition, Borrower has not incurred any withdrawal liability under Title IV of ERISA (as amended by the Multiemployer Pension Plan Amendments Act of 1980) with respect to any multiemployer plan.

(iii) Neither Borrower nor any Subsidiary or affiliate of Borrower has engaged in any “prohibited transactions” within the meaning of Section 4975 of the Code or Section 406 of ERISA, which could subject Borrower or such subsidiary or affiliate, or any other party, to the tax or penalty on prohibited transactions imposed by Section 4975 of the Code. The execution, delivery and performance of this Agreement and the other instruments, documents and agreements contemplated hereby, and the making of the borrowing contemplated hereby by Borrower will not constitute such a “prohibited transaction” (assuming that the funds used by Lender to make the Loan are disbursed from Lender’s general funds and not from any separate fiduciary or other account maintained by Lender).

(iv) No reportable event (as such term is defined in Title IV of ERISA) has occurred with respect to, nor has there been terminated, any plans subject to Title IV of ERISA and maintained for any employees of Borrower or any member of any “controlled group of corporations” (as such term is defined in Section 1563 of the Code) of which Borrower is a member.

(v) Borrower has paid all premiums due to the PBGC with respect to each plan identified in Exhibit “F” and no premium, late payment charge, premium penalty or interest thereon is due. The PBGC has made no demand on Borrower for payment of any liability, including interest, arising under Title IV(D) of ERISA, and no lien exists in favor of the PBGC upon any real or personal property or rights to such property belonging to.

(p) Environmental Matters.

(i) Borrower and all of its Subsidiaries, if any, are in compliance in all material respects with all provisions of the Environmental Laws, and with any rules, regulations, and administrative orders of any governmental agency, and with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto.

(ii) None of Borrower or its Subsidiaries, if any, has received from any governmental agency any written assessment, notice of (primary or secondary) liability or notice of financial responsibility, or any notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to a site listed on any federal or state listing of sites containing or believed to contain Hazardous Wastes, nor has any of Borrower or its Subsidiaries, if any, received written notification from any governmental agency that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

(iii) To the knowledge of Borrower, no part of the real property leased by Borrower in its business or any building, structure or facility located thereon or improvement thereto contains or contained asbestos or polychlorinated biphenyls (PCBs); have or have had asbestos-containing materials or electrical transformers, fluorescent light fixture ballasts or other equipment containing PCBs installed thereon or therein; is or has been used for the handling, processing, storage or disposal of Hazardous Wastes; or contain or contained above-ground or underground storage tanks or other storage facilities for Hazardous Wastes.

(iv) Borrower has paid any environmental excise taxes imposed pursuant to Sections 4611, 4661, or 4681 of the Code.

(q) Minimum Wages; Overtime . Borrower is in compliance in all material respects with all provisions of the Fair Labor Standards Act, as amended, and regulations promulgated thereunder.

(r) Employee Wage Withholding . Borrower has paid or made provision for the payment of all applicable federal, state and local employees' income, social security and unemployment taxes.

4. Affirmative Covenants of Borrower . Borrower covenants and agrees that, from the date hereof until the Loan is paid in full, Borrower shall:

(a) Reporting Requirements . Furnish to Lender:

(i) as soon as available, but in any event not later than forty-five (45) days after the end of each of the first three (3) quarterly periods of each fiscal year of Borrower, unaudited consolidated financial statements of Borrower and its Subsidiaries, including balance sheets and the related statements of operations and cash flows, for such quarterly period and for Borrower's fiscal year-to-date, with the corresponding figures for Borrower's previous fiscal year. These financial statements shall be prepared in accordance with GAAP, consistently applied.

(ii) as soon as available, but in any event not later than ninety (90) days after the end of each fiscal year of Borrower, audited consolidated financial statements of Borrower and any Subsidiaries, including balance sheets and the related statement of operations, changes in stockholders' equity and cash flow, together with the report thereon of Borrower's independent certified public accountants, for such fiscal year, with the corresponding figures for Borrower's previous fiscal year. These financial statements shall be prepared in accordance with GAAP, consistently applied, and such report shall state that such financial statements fairly present, in all material respects, the consolidated financial position of Borrower and the results of its operations and the changes in its financial position for the year then ended. Concurrently with the delivery of such audited financial statements, the independent certified public accountant shall furnish Lender a certificate stating that in making the examination necessary for auditing such financing statements, no knowledge was obtained of any Event of Default or of any Default which, with the giving of notice, the passage of time, or both, would constitute an Event of Default hereunder, except as specifically described by said accountant.

(iii) concurrently with the delivery of the financial statements described in this Section 4(a), Borrower shall deliver a certificate addressed to Lender and signed by its president (or chief executive officer) and treasurer (or chief financial officer) acknowledging that the financial statements fairly present, in all material respects, the consolidated financial position of Borrower and the results of its operations for the period covered thereby and (i) certifying that no Event of Default and no Default which, with the giving of notice, the passage of time, or both, would constitute an Event of Default has occurred and is continuing, or (ii) describing the nature and duration of any such Event of Default and the steps that Borrower is taking to remedy such Default.

(iv) deliver to Lender such other audited and unaudited financial statements, profit and loss statements, and other accounting data, including but not limited to supporting documentation for financial statements provided Lender under other clauses of this Section 4(a), as may be reasonably requested by Lender from time to time concerning Borrower and any Subsidiaries.

(v) deliver to Lender promptly upon receipt any "Management Letter" received from Borrower's independent certified public accountant, together with any comments made by Borrower in respect thereto, if the letter addresses matters which adversely affect the financial condition of Borrower or matters which constitute an Event of Default or any Default which, with the giving of notice, the passage of time, or both, would become an Event of Default.

(vi) deliver to Lender any annual, quarterly or other reports to Borrower's stockholders and filings with the Securities and Exchange Commission and with any federal, state or local governmental agency, body or authority which regulates Borrower's business.

(b) **Inspection**. Permit any person designated by Lender to visit and inspect Collateral, and the business premises and books and records of Borrower and discuss Borrower's affairs and finances with Borrower at reasonable times (and in a manner that will not unreasonably interfere with normal business operations) and as often as Lender may reasonably request.

(c) **Books and Records**. Maintain its books of accounts in accordance with sound business practices.

(d) **Service of Process**. Deliver to Lender, within ten (10) days after the service of process or equivalent notice, written notice of any litigation, arbitration proceeding or government investigation where the amount involved would reasonably be expected to exceed \$10,000.00, concerning title to the Coins or the conduct of Borrower's Business, or may, if determined adversely to the Borrower, have a material adverse effect upon the Borrower or its property or the Business.

(e) **Bank Accounts**. Maintain its principal bank accounts with Lender.

(f) **Maintenance of Property**. Maintain its properties in good condition, subject to normal wear and tear, and make all necessary replacements, additions and improvements thereto.

(g) **Insurance**. Maintain and provide Lender with evidence of insurance in such amounts and against such liabilities and hazards as required by the Security Agreement to be executed in connection with the Loan, and, together with each delivery of annual financial statements, and more frequently upon request, shall deliver a certificate signed by Borrower specifying the details of such insurance then in effect.

(h) **Taxes and Obligations**. Pay and discharge or cause to be paid and discharged, all taxes, assessments, levies, fees, and charges and all other governmental charges, general and special, ordinary and extraordinary, whether or not within the contemplation of the parties hereto, which are at any time levied upon or assessed against Borrower or its property or any part thereof, whether or not the failure to pay such tax, assessment, levy, fee, or charge might result in the creation of a lien upon such properties or any part thereof, when the same shall become due and payable, except for such items the validity of which is being contested in good faith by appropriate proceedings; and all income, excess profits, excise, sales, gross receipts, and other taxes, duties or imposts, whether of a like or different nature, assessed, levied or imposed by governmental authority on Borrower or Borrower's properties or any part thereof when the same shall become due and payable, except for such items the validity of which is being contested in good faith by appropriate proceedings.

(i) **Corporate Status**. Maintain its existence as a corporation in good standing under the laws of Nevada and qualified to transact business as a foreign corporation in Florida.

(j) Maintenance of Rights . Do or cause to be done all things necessary to preserve and to keep in full force and effect its rights and privileges of a public or private nature, its franchises, trade names, trademarks, service marks and patents and its permits which are material and necessary for the continuance of its Business, and continue to engage principally in the Business currently operated by Borrower.

(k) Net Worth . Maintain a minimum stockholders' equity of not less than \$20,000,000.00 for the first year. During each successive year the minimum stockholders' equity required will increase annually in an amount equal to fifty percent (50%) of the Borrower's after-tax net income. The minimum stockholders' equity of \$20,000,000.00 will be tested quarterly upon the Lender's receipt of the Borrower's 10-Q filed with the S.E.C., and the potential increase will be tested annually upon the Lender's receipt of the Borrower's 10-K filed with the S.E.C.

(l) Ordinary Course of Business . Sell its inventory and collect its accounts only in the ordinary course of business and, without the prior written consent of Lender, shall not sell or lease Collateral which does not constitute inventory, or pledge, transfer, assign, deliver, donate, gift or otherwise dispose of any Collateral or any interest therein.

(m) Lock Box Account . Deposit with Lender all moneys, checks, notes, drafts, wire transfers, other payment media or other property (including goods acquired through barter, swap or exchange) representing the proceeds of any Collateral which comes into the possession or control of Borrower immediately in the exact form received in a special account. Borrower grants Lender a security interest in such account to secure all of Borrower's liabilities and, unless otherwise authorized by Lender, Lender alone shall have power of withdrawal.

(n) Draw Request . Provide to Lender, at the time of each borrowing a Draw Request.

(o) Segregation of Collateral . Keep Collateral separate and distinct from other property of Borrower and third parties pursuant to a custodial agreement with a custodian (the "Custodian") acceptable to the Lender in its reasonable discretion.

(p) Defaults by Custodian . Notify Lender immediately of any default by Custodian known to Borrower in the performance of Custodian's obligations with respect to any Collateral.

(q) Merchantable Inventory . Maintain inventory of Coins which are good and merchantable, with an Appraised Value at least equal to four (4) times the outstanding principal balance of the Loan, and shall not be encumbered by the security interest, chattel mortgage or lien of any person other than Lender.

(r) Compliance With Laws . Comply in all material respects with all applicable existing and future federal, state and local statutes, laws and ordinances applicable to Borrower's Business and to the Collateral, any rules, regulations or orders of any governmental body, agency or authority promulgated thereunder, and any orders or judgments of any court of competent jurisdiction, including, but not limited to, such statutes, laws, ordinances, rules,

regulations or orders relating to land use, building, zoning, occupational health and safety, employee pension and benefit plans, employee wage withholding, the environment and Hazardous Wastes and the preservation and protection of sites and artifacts of historical significance.

(s) **Financing Statements, Etc** . Authorize the Lender to record and file, at the Borrower's cost and expense, such financing statements describing the Collateral as Lender may reasonably determine to be desirable in connection with this Agreement, the Loan and the Collateral, execute and deliver such further documents and agreements as Lender may reasonably request in connection with this Agreement, the Loan and the Collateral, and defend any action, proceeding or claim affecting the Collateral.

(t) **Filing Fees; Taxes** . Pay and discharge when due any and all additional documentary stamp taxes or intangible taxes, levies or other charges in connection with the Loan and the promissory note(s) executed in connection herewith, together with all modifications, renewals and advances heretofore or hereafter made, together with any interest or penalty incident thereto, and Borrower agrees to indemnify and save harmless Lender from and against all loss, cost, expense and attorneys' fees (as defined herein) that may be incurred by Lender in connection with any such assessment, tax, levy or other charge, or any interest or penalty resulting therefrom which may be incurred by Lender in connection therewith.

(u) **Management** . Maintain in office and with his current responsibilities John C. Morris (President and CEO), and advise Lender promptly and in writing of any change in the composition of Borrower's Board of Directors or any change in the employment status or office of any of the executive officers of Borrower, other than routine changes in compensation made in the ordinary course of business.

(v) **Minimum Wages; Overtime** . Pay employees wages and overtime in compliance with the Fair Labor Standards Act, as amended, and regulations promulgated thereunder.

(w) **Employee Wage Withholding** . Pay or make provision to pay all applicable federal, state and local employees' income, social security and unemployment taxes.

(x) **Additional Collateral** . Take any and all action, and cause each of the respective Subsidiaries to take any and all action, as may be reasonably requested by Lender to further grant and perfect, in favor of Lender as collateral for the Loan, a first lien security interest in and to any leasehold interests and improvements or other structures to be located in any museums or other locations where the Coins will be displayed, and to fully protect Lender's interest in the Collateral

5. Negative Covenants of Borrower . Borrower covenants and agrees that from the date hereof until the Loan is paid in full, Borrower shall not:

(a) **Liens** . Without first having obtained the written consent of Lender, which consent shall not be unreasonably withheld, conditioned, or delayed, mortgage, pledge, grant or

permit to exist, any lien, security interest or encumbrance upon any of Borrower's assets (or the assets of any Subsidiary) of any kind, real or personal, tangible or intangible, used in the Business, whether now owned or hereafter acquired, including any lease or purchase money security interests or any other "off balance sheet" indebtedness, except for the following ("Permitted Liens"): (i) liens for taxes, assessments and similar charges which are not delinquent or are being contested in good faith, and as to which Borrower shall have set aside on its books adequate reserves; (ii) non-consensual liens imposed by law, such as landlord's, mechanic's, carrier's, warehousemen's, materialmen's and vendor's liens, incurred in good faith in the ordinary course of business; (iii) liens incurred or pledges and deposits in connection with workmen's compensation, unemployment insurance, old-age pensions and other social security benefits or securing the performance of bids, tenders, contracts (other than for the repayment of borrowed money), statutory obligations, surety and appeal bonds and other obligations of like nature, incurred as and incident to, and in the ordinary course of business; (iv) any such permitted encumbrances existing as of the date hereof; and (v) the lease by Borrower of equipment under operating and capital lease for which total payments shall not, in the aggregate, exceed \$250,000.00 per year. Lender's consent to any further encumbrance under this Section 5(a) shall be deemed to be reasonably withheld if (x) such further encumbrance is to attach to the Collateral, or (ii) a default or Event of Default has occurred and is continuing.

(b) Defaults Under Other Agreements. Commit or fail to commit any act which constitutes an event of default under the terms of any other agreement, contract, indenture, mortgage, deed of trust, security agreement or other instrument executed or to be executed by it, except those defaults that are being contested in good faith and would not, if settled unfavorably, materially and adversely affect Borrower's consolidated financial condition.

(c) Dividends. Declare any cash dividend on any class of its stock, make any other distribution on account of any class of its stock or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, in any fiscal year of Borrower except to the extent such dividend or other distribution described herein shall be less than 20% of Borrower's net income after taxes for the fiscal year in which such dividend or similar distribution is made.

(d) Investment Securities. Purchase any stock, securities, or evidence of investment or acquire any interest in any other person or corporation, except direct obligations of the United States government or its agencies, or engage in any speculative transactions involving commodity options or futures contracts.

(e) Change of Name or Business; Merger. Change its name; merge into, consolidate with, or sell or transfer all or substantially all of its assets to any other person; otherwise change its structure or identity; or materially change the nature of its business or that of any Subsidiary as now conducted; or enter any new business.

(f) Loans to Third Parties. Loan or otherwise advance any sum to any person, except for normal trade credit on the sale of inventory in the normal course of business and except for expense advances to employees of Borrower in the normal course of business.

(g) Guaranty Debts of Others . Guaranty or otherwise in any manner become responsible for the obligations of any other person or corporation, directly or indirectly, whether by agreement to purchase the indebtedness of any other person or corporation or otherwise, except by endorsements of negotiable instruments for collection in the ordinary course of business.

(h) Other Borrowings . Borrow any sum of money or incur any other indebtedness in excess of \$250,000.00, except for Advances under the Revolving Credit Loan and normal trade credit on open accounts, without the prior written consent of Lender.

(i) Notes, Accounts Receivable . Sell, assign, transfer, discount or otherwise dispose of notes, accounts receivable, instruments, chattel paper or other rights to receive payment, with or without recourse, except for the purpose of collection in the ordinary course of business.

(j) Disposition of Assets . Sell, lease, transfer or otherwise dispose of any of its assets, except inventory in the normal course of business, unless it shall substitute assets having equal or greater value or utility, which substituted assets, if they are Collateral, shall be subject to a first, perfected security interest in favor of Lender and shall be free of all other liens and encumbrances.

(k) Sale-Leaseback Transactions . Enter into any sale and leaseback agreement with respect to any of its fixed assets.

(l) Sale of Stock in Subsidiaries . Sell or otherwise dispose of any shares of the stock or securities exchangeable for or convertible into shares of the stock (or options or warrants to acquire any stock or securities exchangeable for or convertible into such stock) of any Subsidiary or permit any of its Subsidiaries to issue, sell or otherwise dispose of any shares of such Subsidiary's stock, securities exchangeable for or convertible into shares of such Subsidiary's stock, or options or warrants to purchase any of the foregoing.

(m) Leases . Lease or commit to lease real or personal property under operating or capital leases having unpaid lease payments, the cost of which to Borrower, in the aggregate, would exceed \$250,000.00 per year.

(n) Accounting Practices . Change its accounting methods or practices, its depreciation or amortization policy or rates or its fiscal year end from that in existence as of the date hereof, except as required to comply with law or with GAAP.

(o) Amend Articles of Incorporation . Amend its articles of incorporation except as required to comply with law.

(p) Management . Change its management structure without providing the Lender with prior written notification.

(q) **Affiliate Transactions** . Directly or indirectly, purchase, acquire or lease any property or asset to (i) any director or officer, or (ii) any business entity, corporation, partnership or association in which directors or officers have a controlling interest, except upon terms and conditions not less favorable to such person than if no such relationship existed.

6. Conditions Precedent to First Advance under Revolving Credit Loan . Lender shall have no obligation to make any Advances to Borrower under the Revolving Credit Loan until Lender has received the items listed below and/or the events described below have occurred, as the case may be:

(a) **Loan Documents** . The following documents duly executed:

(i) this Agreement;

(ii) the Revolving Credit Note of Borrower;

(iii) the Security Agreement of Borrower;

(iv) the Negative Pledge Agreement of Borrower;

(v) the Unlimited Continuing Guaranty Agreement of the Subsidiaries in the form of Exhibit "G" (the "Subsidiary Guaranty"); and

(vi) the Collateral Control Agreement among Lender, Borrower and Numismatic Guaranty Corporation of America.

(b) **Financial Statements** . Current financial statements of Borrower, in form and substance satisfactory to Lender and certified as provided in Section 3(d) hereof.

(c) **Insurance Policies** . Original, duplicate original or copy of original which has been certified as true and complete of insurance policy or policies evidencing (i) comprehensive, all-risk hazard insurance coverage for the full insurable value of the Collateral; (ii) public liability coverage in amounts as may be required by or acceptable to Lender; (iii) Workers' Compensation, if required by law; and (iv) flood insurance, if required by Lender. All insurance coverage shall be written through a company or companies reasonably satisfactory to Lender, shall insure against such risks as may be specified by Lender, including specifically any loss from any act or neglect of Borrower, and such policy or policies shall incorporate a New York standard mortgagee clause or other loss payee clause in form and substance satisfactory to Lender evidencing that Lender is a loss payee thereunder to the extent of its interest and providing that such policy or policies shall not be canceled or modified without thirty (30) days' prior written notice to Lender.

(d) **Borrowing Resolutions** . A copy of the resolution of the Board of Directors of Borrower certified by Borrower's duly elected or acting corporate secretary authorizing the execution of this Agreement and other Loan Documents and authorizing specific officers to execute and deliver this Agreement and the other Loan Documents.

(e) **Certificate of Incumbency** . A certificate of incumbency showing the present officers of Borrower and specimen signatures of said officers.

(f) **Certificate of Good Standing; Articles of Incorporation; Bylaws** . A copy of the articles of incorporation and all amendments thereto together with a certificate of good standing for Borrower certified by the Secretary of State of the State of Nevada; a certificate of qualification as a foreign corporation and good standing for Borrower certified by the Secretary of State of the State of Florida; and a copy of the Bylaws of Borrower certified by its duly elected or acting corporate secretary.

(g) **UCC and Judgment Search** . A UCC search from the Nevada Secretary of State and the Florida Secured Transactions Registry and Clerk of Circuit Court of the county or counties in which Borrower has a place of business, showing that the personal property of Borrower is free and clear of all encumbrances, except security interests in favor of Lender or Permitted Liens.

(h) **Appraisal** . A current appraisal of the Collateral, as set forth in more detail in the Commitment Letter, prepared by an appraiser acceptable to Lender and showing said Collateral to have a value acceptable to Lender.

(i) **Schedule of Collateral** . A list in form and substance reasonably satisfactory to Lender of all Collateral, setting forth Appraised Value.

(j) **Other Conditions** . Any other documents, or conditions, described in the Commitment Letter.

7. Conditions to Revolving Credit Advances . On the date of the first and each subsequent Advance, Borrower shall deliver to Lender a Draw Request stating the amount of the requested Advance and such other information as Lender shall require, and the following statements shall be true:

(a) **Representations and Warranties** . All of the representations and warranties set forth in Section 3 of this Agreement or in any other Loan Documents shall be correct on and as of the date of such Advance as though made on and as of such date, except to the extent that such representations and warranties expressly relate to an earlier date.

(b) **No Default** . Borrower shall have observed and performed in all material respects all of the terms, conditions and agreements set forth herein or in any other Loan Documents on its part to be observed or performed and no Event of Default and no Default that, with the giving of notice, passage of time, or both shall constitute an Event of Default shall have occurred and be continuing.

(c) **Financial Statements** . All financial statements, information and other data furnished by Borrower to Lender are, in all material respects, accurate and correct; the financial statements have been prepared in accordance with GAAP, consistently applied, and fairly present in all material respects the consolidated financial condition of Borrower and its Subsidiaries; no material adverse changes have occurred since the date of said statements; and no material liabilities, contingent or otherwise, not shown on said financial statements, exist.

(d) **Liens**. No liens, security interests or encumbrances shall have been filed or recorded against any Collateral, other than liens in favor of Lender and Permitted Liens, and Borrower has no notice of any intention by any person to file or record any such liens, security interests or encumbrances against any Collateral.

(e) **Litigation**. There are no actions, suits, proceedings, or claims pending or threatened against or affecting Borrower or any Collateral or the Borrower's conduct of the Business of the types described in Section 3(h).

8. Default. The happening of one or more of the following events (an "Event of Default") shall constitute a default of this Loan:

(a) **Non-Payment**. Nonpayment when due, whether at maturity, on demand, after acceleration or otherwise, of any payment of principal or interest.

(b) **Non-Performance**. Failure by Borrower to perform any agreement, covenant or obligation under this Agreement or any other Loan Document which is not cured within thirty (30) days following written notice from the Lender.

(c) **Other Defaults**. Occurrence of an event of default under any other Loan Document now or hereafter evidencing or securing payment of the Loan which is not cured within thirty (30) days following written notice from the Lender.

(d) **Misrepresentation**. Material falsity of any representation or warranty made by Borrower in this Agreement or any other Loan Document or in any certificate, statement, representation, warranty, report, audit or other writing furnished at any time to Lender by or on behalf of Borrower in connection with or pursuant to this Agreement or otherwise, or omission of any material fact necessary in order to make the statements made in any of the foregoing, in light of the circumstances under which they were made, not misleading.

(e) **Material Adverse Change**. The occurrence of a material adverse change in the consolidated financial condition of Borrower.

(f) **Loss of Collateral**. The material loss or destruction of or injury to any Collateral securing payment of the Loan, which loss or destruction is not covered by insurance, or the condemnation or seizure of any Collateral.

(g) **Dissolution**. Dissolution, whether by voluntary act, involuntarily, by operation of law or otherwise, of Borrower, and such dissolution is not cured within thirty (30) days of its occurrence.

(h) **Sale of a Majority of Assets**. Sale or transfer by Borrower of all or substantially all of its assets.

(i) **Cease Doing Business**. If Borrower ceases doing business as a going concern or substantially changes the nature of its business or commences the liquidation of its business or its assets.

(j) **Change in Control**. If the Board of Directors of the Borrower is changed such that the directors in office as of the date of this Agreement cease to be a majority of the Board of Directors.

(k) **Default under Other Loans**. Failure by Borrower or any Subsidiaries to make any payment of principal or interest, when due, on any other obligation to pay money to Lender or to any other person, other than amounts being contested in good faith by appropriate proceedings, or default by Borrower or any Subsidiaries in the performance of any terms and conditions of any agreement under which such obligation was created if the effect of such failure to pay or of such default is to permit the holder(s) to accelerate the stated maturity of such obligation.

(l) **Voluntary Bankruptcy**. Filing by Borrower or any Subsidiaries of a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, insolvency, arrangement, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consenting to the filing of any petition against it under any such law, or taking any corporate action to authorize such action.

(m) **Involuntary Bankruptcy**. Filing of a petition against Borrower or any Subsidiaries under any bankruptcy, reorganization, insolvency, arrangement, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, which petition is not dismissed within sixty (60) days after such filing.

(n) **Adjudication of Bankruptcy**. Adjudication of Borrower or any Subsidiaries as bankrupt or insolvent.

(o) **General Assignment**. Making a general assignment by Borrower or any Subsidiaries for the benefit of its creditors or admitting in writing of its inability to pay its debts generally as they become due or taking any corporate action to authorize such action.

(p) **Judgments Not Satisfied**. Entry of a final judgment for the payment of money against Borrower or any Subsidiaries in an amount in excess of \$250,000, which judgment is outstanding for more than ninety (90) days from the date of entry or lifting of any stay unless such judgment is discharged.

(q) **Receiverships**. Appointment of a receiver, liquidator or trustee of Borrower or any Subsidiaries, or of any material portion of their property, or of any Collateral, by court order, which order remains in effect for more than ninety (90) days; or any Collateral or material portion of the properties of Borrower or any Subsidiaries is attached or sequestered by court order, which order remains in effect for more than ninety (90) days.

(r) **ERISA**. If any fact or circumstance occurs (which occurrence shall have been continuing for fifteen (15) days) which Lender determines in good faith constitutes any one of the following:

(i) grounds for the termination of any employee benefit plan or other plan maintained for employees of Borrower and covered by Title IV; or

(ii) the appointment of a trustee by the appropriate United States District Court to administer any such plan; or

(iii) the termination of any such plan within the meaning of such Title IV other than a "standard termination" within the meaning of Section 4041(b) of ERISA; or

(iv) the institution of proceedings by the PBGC to terminate any such plan or to appoint a trustee to administer any such plan; or

(v) a material outstanding liability of Borrower which has resulted from the prior occurrence of any of the events enumerated in clauses (i) through (iv) above.

(s) **Insecurity**. If any condition or situation occurs, which, in the sole determination of Lender, constitutes a danger or impairment to the security and/or repayment of the Loan, and such condition or situation is not remedied within thirty (30) days after written notice to Borrower to remedy such condition or situation.

9. Remedies for Default .

(a) **Termination of Advances**. Upon the occurrence of any Event of Default or Default that, with the giving of notice, passage of time, or both, shall constitute an Event of Default, Lender may, without notice, terminate this facility with respect to further Advances under the Revolving Credit Loan, in which event Lender shall have no further obligation to make Advances as long as said Event of Default or Default shall continue.

(b) **Acceleration and Setoff**. Upon the occurrence of any Event of Default, Lender may, by written notice, declare the entire principal and all interest on the Loan and all other indebtedness of Borrower to Lender, whether Borrower's liability for payment thereof is primary or secondary, direct or indirect, sole, joint, several, or joint and several, or whether the indebtedness is matured or unmatured, due or to become due, fixed, absolute or contingent, to be immediately due and payable and the Loan and all such indebtedness thereupon shall be and become immediately due and payable, and Lender may proceed to collect the same by foreclosure, at law, or as otherwise provided in the instruments, documents and/or agreements signed by Borrower; provided, however, that in the event that the Loan or any other such indebtedness is payable on demand, Borrower expressly waives the foregoing requirement for written notice. In addition, without limiting any other right of Lender, whenever Lender has the right to declare any indebtedness to be immediately due and payable (whether or not it has so declared), Lender may set off against the indebtedness without notice any amounts then owed to Borrower by Lender in any capacity, whether due or not due, including without limitation

deposits, stocks, bonds and other securities and other assets held in any custodial accounts, and Lender shall be deemed to have exercised its right to set off immediately at the time its right to such election accrues.

(c) Cumulative Remedies . All rights, remedies or recourses of Lender under this Agreement, the Note or any other Loan Documents, under the Uniform Commercial Code or other law, in equity or otherwise, are cumulative, and exercisable concurrently, and may be pursued singularly, successively or together and may be exercised as often as occasion therefor shall arise. No act of commission or omission by Lender, including, but not limited to, any failure to exercise, or any delay, forbearance or indulgence in the exercise of, any right, remedy or recourse hereunder or any other Loan Document shall be deemed a waiver, release or modification of that or any other right, remedy or recourse, and no single or partial exercise of any right, remedy or recourse shall preclude Lender from any other or future exercise of the right, remedy or recourse or the exercise of any other right, remedy or recourse. No waiver or release of any such rights, remedies and recourses shall be effective against Lender unless in writing and manually signed by an authorized officer on Lender's behalf, and then only to the extent recited therein. A waiver, release or modification with reference to any one event shall not be construed as continuing or constituting a course of dealing, nor shall it be construed as a bar to, or as a waiver, release or modification of, any subsequent right, remedy or recourse as to a subsequent event.

10. Definitions

(a) Defined Terms . As used in this Agreement, the following terms shall have the meanings set forth below:

"Advance" shall mean any disbursement of funds by Lender to or for the account of Borrower under the Revolving Credit Loan pursuant to Borrower's request as provided herein.

"Agreement" shall mean this Revolving Credit Agreement, as the same may be amended, supplemented or modified, in writing, from the time to time.

"Appraised Value" shall mean the appraised value of the Coins as set forth on Exhibit "D."

"Available Commitment" at a particular time, shall mean an amount equal to the difference between (a) the amount of the Commitment at such time, and (b) the aggregate unpaid principal amount of the Revolving Credit Loan outstanding at such time under the Commitment.

"Borrower" shall mean Odyssey Marine Exploration, Inc., a Nevada corporation and any successor or assign thereof.

"Business" shall mean Borrower's operations of locating shipwrecks, recovering coins and other artifacts and selling coins and other artifacts recovered from such shipwrecks.

“Business Day” shall mean a day other than a Saturday, Sunday or other day on which commercial banks in the State of Florida are authorized or required by law to close.

“Closing” shall occur on April __, 2005, at 2:00 P.M. at the offices of Foley & Lardner LLP, 100 North Tampa Street, Suite 2700, Tampa, Florida 33602, or such other place as the parties hereto may agree.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Coins” shall mean the coins recovered by Borrower from the shipwreck known as “SS Republic,” as specifically listed on Exhibit “D.”

“Collateral” shall have the meaning ascribed thereto in Section 2 hereof.

“Collateral Control Agreement” shall mean the Collateral Control Agreement in the form attached hereto as Exhibit “E.”

“Commitment” shall mean the maximum amount of the Revolving Credit Loan that Lender is obligated to make to Borrower pursuant to Section 1(a) hereof.

“Commitment Fee” shall mean that fee defined in Section 1(h) hereof.

“Commitment Period” shall mean the period from and including the date of this Agreement to but not including the Termination Date, or such earlier date as the Commitment shall terminate as provided herein.

“Consolidated Subsidiaries” shall mean, at any date, all Subsidiaries of Borrower, the accounts of which have been, or which, in accordance with GAAP, should be, consolidated with the accounts of Borrower.

“Contingent Liabilities” shall mean operating leases of, and any third party indebtedness guaranteed by, Borrower and its Consolidated Subsidiaries.

“Credit” shall mean any payment, prepayment or repayment to Lender by or on behalf of Borrower under the Revolving Credit Loan as provided herein.

“Custodian” shall mean Numismatic Guaranty Corporation of America, or any successor or substitute custodian approved in writing by the Lender.

“Default” shall mean any of the events specified in Section 8 herein, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Environmental Laws” shall mean any of the Water Pollution Control Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA” or “Superfund Act”), the Superfund Amendments and Reauthorization Act, the Toxic Substances Control Act, the Clean Air Act, the Safe Drinking Water Act, the Solid Waste Disposal Act, or any similar laws imposing liability

on any person for the generation, storage, impoundment and disposal, discharge, treatment, release, seepage, emission, transportation or destruction of any Hazardous Waste or of any garbage, sewage, effluent, smoke, dust or any other form of pollution (whether or not denominated as a Hazardous Waste), as the same may be amended from time to time, and any rules, regulations, or administrative orders thereunder and any state statutes, laws, rules, regulations, or administrative orders addressing the same or similar subjects as the foregoing federal laws.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“**Event of Default**” shall mean any of the events specified in Section 8 herein, provided that any requirement for the giving notice, the lapse of time, or both, or any other condition, has been satisfied.

“**GAAP**” shall mean generally accepted accounting principles, consistently applied.

“**Hazardous Waste**” shall mean any hazardous, toxic or radioactive substance, materials or products as defined under any Environmental Laws, including, but not limited to, petroleum products, ammonia, chlorine, derivatives of petroleum products, ammonia or chlorine, pesticides, asbestos and asbestos-containing materials, and polychlorinated biphenyls (PCBs).

“**Lender**” shall mean MERCANTILE BANK, and its successors and assigns.

“**Loan**” shall mean the sum of the aggregate principal amount of all outstanding Advances under the Revolving Credit Loan on any given date, which Revolving Credit Loan shall be deemed to be a single obligation of Borrower, secured by all Collateral.

“**Loan Document**” shall mean any of this Agreement, the Revolving Credit Note, the Security Agreement, the Negative Pledge Agreement, the Collateral Control Agreement, any UCC Financing Statements, and any other agreements, documents or instruments relating to the Loan, whether executed prior to, at or after the Closing hereof, as the same may be amended, supplemented or modified, in writing, from time to time; and “**Loan Documents**” shall mean any and all of the foregoing.

“**Negative Pledge Agreement**” shall mean the Negative Pledge Agreement in the form attached hereto as Exhibit “H.”

“**Note**” shall mean the Revolving Credit Note.

“**PBGC**” shall mean the Pension Benefit Guaranty Corporation or any successor agency of the federal government.

“**Person**” shall mean an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or other entity or a government or any agency or political subdivision thereof.

“Security Agreement” shall mean the Security Agreement in the form attached hereto as Exhibit “C.”

“Revolving Credit Loan” shall mean the aggregate principal amount of all Advances under Section 1 of this Agreement which are outstanding on any date.

“Revolving Credit Note” shall be as defined in Section 1(b) hereof.

“Subsidiary” shall mean any corporation of which more than fifty percent (50%) of the outstanding shares of stock of each class having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) is at the time owned by Borrower or by one or more Subsidiaries; or by Borrower and one or more of its Subsidiaries.

“Termination Date” shall mean June 24, 2005. If such day is not a Business Day, the preceding Business Day shall be the Termination Date.

(b) Other Definitional Provisions. All terms defined in or incorporated into this Agreement shall have the same defined meanings when used in the other Loan Documents or any certificate or other instrument made or delivered pursuant hereto unless the context otherwise requires. Each accounting term used but not defined herein, shall have the meaning given to it under GAAP.

11. Miscellaneous .

(a) Complete Agreement; Conflict Between Loan Documents. This Agreement, the Note, the Commitment Letter, if any, and any other Loan Documents executed in connection with this transaction or pursuant to this Agreement or said Commitment Letter constitute the complete agreement between the parties hereto with respect to the Loan, and shall be read together, and the provisions of each shall be deemed supplemental and not in conflict with each other; however, in the event a court of competent jurisdiction determines that a direct or unreconcilable conflict exists, the provisions of the Note and Security Agreement shall prevail over the other documents, and this Agreement shall prevail over the Commitment Letter and any other prior written or oral agreements or understandings.

(b) Amendments. No amendment or waiver of any provision of this Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) Survival of Closing. All representations and warranties contained herein or made in writing by Borrower and Guarantor in connection herewith shall survive the execution and delivery of this Agreement and of any other Loan Documents.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, heirs, and personal representatives. Notwithstanding the foregoing, no part of this Agreement or the obligations hereunder shall be assigned by Borrower without the prior written consent of Lender.

(e) **No Third Party Beneficiaries**. This Agreement is a contract between Lender and Borrower for their mutual benefit and no third person shall have any right, claim or interest against either Lender or Borrower by virtue of any provision hereof.

(f) **Construction**. This Agreement shall not be construed more strictly against Lender than against Borrower merely by virtue of the fact that this Agreement has been prepared by counsel for Lender, it being acknowledged that Borrower has been represented by counsel in the negotiation and review hereof.

(g) **Florida Law**. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the State of Florida without regard to the principles of the conflict of laws of Florida.

(h) **Closing Costs and Expenses**. Borrower shall pay all costs and expenses of the Loan, including, but not limited to, filing and recording fees, documentary stamps, intangible tax, and Lender's attorney's fees and costs, including any sales or use taxes thereon.

(i) **Paragraph Headings**. Paragraph headings are for the purpose of identification only and are not considered as a substantive part of this Agreement.

(j) **Gender; Etc**. Whenever the context so requires, the neuter gender includes the feminine and/or masculine, as the case may be, and the singular number includes the plural, and the plural number include the singular.

(k) **Severability**. Each paragraph, provision, sentence and part thereof of this Agreement shall be deemed separate from each other paragraph, provision, sentence or part thereof, and the invalidity or unenforceability for any reason or to any extent, of any such portion of this Agreement shall not affect the enforceability of the remaining portions of this Agreement or of any other Loan Document, or the application of such paragraph, provision, sentence or part thereof to other persons and circumstances.

(l) **Patent Errors**. Borrower hereby authorizes and directs Lender and its agents and employees to correct patent errors and to fill in any blanks in this Agreement and/or in any exhibit, instrument, document or agreement related hereto and to attach hereto or thereto any exhibits which are a part hereof or thereof.

(m) **Counterparts**. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately, constitute a single agreement.

12. Further Assurances. Borrower agrees that, at any time and from time to time after the execution and delivery of this Agreement, it shall, upon request of Lender, execute and deliver such further instruments and documents, including, but not limited to appraisals and

proofs of insurance, and do such further acts and things as Lender may reasonably request in order to fully effect the purposes of this Agreement and to protect Lender's interest in the Collateral.

13. Notices . Notices under this Agreement (and, unless specified otherwise therein, under any instrument, document or other agreements executed in connection herewith) shall be sent, postage prepaid, or otherwise delivered to:

BORROWER: Odyssey Marine Exploration, Inc.
5215 West Laurel Street
Tampa, Florida 33607
Attn: John C. Morris

LENDER: Mercantile Bank
2307 West Kennedy Boulevard
Tampa, FL 33609
Attn: Wade H. Faircloth

or such other addresses as are from time to time furnished in writing by a party hereto. Such notices shall be deemed received if sent, postage prepaid, by certified or registered mail, three (3) days after the mailing thereof (unless earlier received) and otherwise such notices shall be deemed received upon actual receipt thereof.

14. Jurisdiction and Venue . In the event that legal action is instituted to enforce or interpret this Agreement or any Loan Document executed in connection herewith, or to collect the Loan or any other amounts due from Borrower, Borrower, on behalf of itself and its assigns and successors, consents to and by execution of this Agreement submits itself to, the jurisdiction of the courts of the State of Florida, and, notwithstanding the place of residence of any of them or the place of execution of this Agreement or such other instrument, document or other agreement, any litigation relating to this Agreement and to any other Loan Document, whether arising in contract or tort, by statute or otherwise, shall be brought in (and, if brought elsewhere, shall be transferred to) a State court of competent jurisdiction in Hillsborough County, Florida.

15. Attorneys' Fees . In the event the Loan or any other amounts due Lender under this Agreement or under any other Loan Document executed in connection herewith is collected by law or through attorneys at law, or under advice therefrom, Borrower agrees to pay all reasonable costs of collection, including reasonable attorneys' fees, whether or not suit is brought, and whether incurred in connection with collection, trial, appeal, bankruptcy or other creditors' proceedings or otherwise.

16. WAIVER OF JURY TRIAL . BORROWER, BY EXECUTING THIS AGREEMENT OR ANY OTHER DOCUMENT CREATING SUCH LIABILITY, WAIVES ITS RIGHTS TO A TRIAL BY JURY IN ANY ACTION, WHETHER ARISING IN

CONTRACT OR TORT, BY STATUTE OR OTHERWISE, IN ANY WAY RELATED TO THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER'S EXTENDING CREDIT TO BORROWER AND NO WAIVER OR LIMITATION OF LENDER'S RIGHTS UNDER THIS PARAGRAPH SHALL BE EFFECTIVE UNLESS IN WRITING AND MANUALLY SIGNED ON LENDER'S BEHALF.

Borrower acknowledges that the above paragraph has been expressly bargained for by Lender and that, but for Borrower's agreement thereto, Lender would not extend the Loan to Borrower for the term and interest rate provided in the Note.

17. Closing. The closing of this transaction shall be held upon the fulfillment of all the conditions and agreements contained herein at the law offices of Foley & Lardner LLP, 100 North Tampa Street, Suite 2700, Tampa, Florida 33602, or at such other place as shall be designated by Lender.

18. Waiver of Conflicts. Each part to this Agreement acknowledges that Fowler White Boggs Banker P.A. ("Fowler White"), counsel for Borrower, has in the past and may continue to perform legal services for Lender or its affiliates in matters unrelated to the transactions described in this Agreement. Accordingly, each party to this Agreement hereby: (1) acknowledges that it has had an opportunity to ask for information relevant to this disclosure; (2) acknowledges that Fowler White has represented Borrower in the transactions contemplated by this Agreement and has not represented Lender in connection with such transactions; and (3) gives its informed consent to Fowler White's representation of Lender or its affiliates in such unrelated matters and to Fowler White's representation of Borrower in connection with this Agreement and the transactions contemplated hereby. The parties further acknowledge that, in the event of any dispute with respect to the transactions contemplated by this Agreement, Fowler White may continue to represent Borrower in such dispute.

EXHIBITS

- "A" — Draw Request
- "B" — Revolving Credit Note
- "C" — Security Agreement
- "D" — Description of Collateral
- "E" — Collateral Control Agreement
- "F" — Pension Plans
- "G" — Subsidiary Guaranty
- "H" — Negative Pledge Agreement

IN WITNESS WHEREOF, Borrower and Lender have executed this Agreement the day and year first above written.

WITNESSES:

ODYSSEY MARINE EXPLORATION, INC.,
a Nevada corporation

By: /s/ John C. Morris
John C. Morris, President

“BORROWER”

MERCANTILE BANK

By: /s/ Wade H. Faircloth
Wade H. Faircloth

“LENDER”

EXHIBIT "A" ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. ("BORROWER") AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS ("LENDER")

DRAW REQUEST

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EXHIBIT “B” ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. (“BORROWER”), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS (“LENDER”)

REVOLVING CREDIT NOTE

EXHIBIT “C” ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. (“BORROWER”), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS (“LENDER”)

SECURITY AGREEMENT

EXHIBIT “D” ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. (“BORROWER”), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS (“LENDER”)

DESCRIPTION OF COLLATERAL

1. The numismatic quality gold and silver Coins recovered by Borrower from the shipwreck known as SS Republic (the “Coins”), as specifically listed on this Exhibit “D,” together with additions.
2. All accounts, contract rights, documents, chattel paper (including electronic chattel paper), instruments, and general intangibles, and all returned or repossessed goods arising from sales of the Coins (the “Accounts”);
3. All proceeds of insurance policies insuring any of the Coins against loss (whether or not the Secured Party is a loss payee or additional insured thereof) and any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to the Coins;
4. All salvage rights of the Borrower with respect to its services in recovering the Coins;
5. All equipment, fixtures, and inventory (including all goods held for sale, lease or demonstration or to be furnished under contracts of service, goods leased to others, trade-ins and repossessions, raw materials, work in process and materials or supplies used or consumed in Debtor’s business), including all spare and repair parts, special tools, equipment and replacements for any of the foregoing, and any software embedded therein or related thereto;
6. All financial assets, investment property, securities (whether certificated or uncertificated, and including investment company securities), security entitlements, securities accounts, commodity contracts, and commodity accounts, including all substitutions and additions thereto, and all dividends, distributions and sums distributable or payable from, upon or in respect of such property;
7. All commercial tort claims;
8. All deposit accounts of Debtor maintained by Secured Party;
9. All letter-of-credit rights;
10. All supporting obligations that support the payment or performance of any of the foregoing (“Supporting Obligations”); and
11. All additions and accessions to, all proceeds, products, offspring and profits of, and all rights and privileges incident to, any of the foregoing

SCHEDULE OF COINS

(SEE SCHEDULE 1 TO SECURITY AGREEMENT)

EXHIBIT “E” ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. (“BORROWER”), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS (“LENDER”)

COLLATERAL CONTROL AGREEMENT

PENSION PLANS

Description of Pension and Welfare Benefit Plans to which Borrower or Guarantor is a party or to which Borrower or Guarantor makes any employer contributions with respect to employees:

NONE

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EXHIBIT "G" ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. ("BORROWER"), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS ("LENDER")

SUBSIDIARY GUARANTY

EXHIBIT “H” ATTACHED TO AND MADE A PART OF THAT CERTAIN REVOLVING CREDIT AGREEMENT DATED APRIL 21, 2005, BY AND BETWEEN ODYSSEY MARINE EXPLORATION, INC. (“BORROWER”), AND MERCANTILE BANK AND ITS SUCCESSORS OR ASSIGNS (“LENDER”)

NEGATIVE PLEDGE AGREEMENT

REVOLVING CREDIT NOTE

\$6,000,000.00 Maximum

Tampa, Florida
April 21, 2005

FOR VALUE RECEIVED the undersigned, ODYSSEY MARINE EXPLORATION, INC., a Nevada corporation (“Maker”), promises to pay to the order of MERCANTILE BANK and its successors or assigns, together with any other holder hereof (“Holder”), at 2307 West Kennedy Boulevard, Tampa, FL 33609, or such other place as Holder may from time to time designate in writing, the aggregate unpaid principal amount of all advances made by Holder to Maker, which amount in no event shall exceed the sum of SIX MILLION AND 00/100 DOLLARS (\$6,000,000.00), plus accrued interest, to be paid in lawful money of the United States of America, as follows:

- 1) This Note shall bear interest at the rate equal to the “LIBOR 30-Day Index Rate” plus two hundred sixty-five basis points (2.65%) (the “LIBOR Spread”) per annum on the outstanding principal balance, but in no event shall the interest rate be greater than the Maximum Rate (as defined below). “LIBOR 30-Day Index Rate” means the rate of interest per annum equal to the London Interbank Offered Rate (“LIBOR”) for thirty (30) day U.S. dollar deposits as published in the “Money Rates” column of the local edition of *The Wall Street Journal*. If such 30-Day Index Rate is no longer available, Lender shall choose a new 30-Day Index Rate based on comparable information, and such selection by Lender of a comparable rate shall be dispositive of the issue as to the appropriate rate. If more than one rate is quoted, Lender shall use the arithmetic average of such rates. This rate will be effective on and from the date of disbursement of the Loan proceeds of this Note through the last day of the current month based on the most recent information available on the date of this Note. On the first day of the next month, the interest rate shall be readjusted to the current LIBOR 30-Day Index Rate plus the LIBOR Spread based on the most recent rate information available on the date that the interest rate is adjusted and such rate shall be effective for the next thirty (30) day period. The rate shall be adjusted every thirty (30) days thereafter at the current LIBOR 30-Day Index Rate plus the LIBOR Spread based on the most recent rate information available on the date that the interest rate is adjusted. If *The Wall Street Journal* is no longer published or if *The Wall Street Journal* no longer publishes such rate, then Lender shall select another publication that publishes such rate and this new publication shall be substituted for *The Wall Street Journal*.
- 2) Advances and payments:
 - (a) All or part of the principal amount evidenced by this Note may be borrowed (and to the extent any principal amount advanced is repaid by Maker, such sum may be borrowed again) prior to the Maturity Date (as defined below), but only in accordance with the terms of the Revolving Credit Agreement (as defined below) and only if Maker is not in default hereunder or under any Loan Documents (as defined below). At no time, however, shall the principal balance hereunder exceed SIX MILLION AND 00/100 DOLLARS (\$6,000,000.00).

(b) Payments of accrued interest only shall be due and payable commencing on May 21, 2005, and continuing on the same day of every month.

(c) Maker shall have no obligation to repay the outstanding principal balance prior to the Maturity Date, except for mandatory payments of amounts owing hereunder in accordance with the terms of the Revolving Credit Agreement or unless acceleration is made by Holder pursuant to the provisions of this Note.

The remaining outstanding principal indebtedness, together with all accrued and unpaid interest thereon, shall be due and payable on April 21, 2008 (the "Maturity Date"), unless acceleration is made by Holder pursuant to the provisions hereof.

Interest on this Note shall be computed on the basis of a 365-day or 366-day year as the case may be for the actual number of days outstanding.

Except as set forth in Section 1(d) of the Revolving Credit Agreement, any payment or prepayment hereunder shall be applied first to unpaid costs of collection and late charges, if any, then to accrued and unpaid interest and the balance, if any, to installments of principal, in the inverse order of their maturity.

After maturity or acceleration, this Note shall bear interest at the Default Interest Rate (as defined below) until paid in full.

The actual amount due and owing from time to time hereunder shall be evidenced by Holder's records of receipts and disbursements, which records (absent manifest error) shall be conclusive evidence of such amount.

This Note is executed pursuant to the terms and conditions of that certain Revolving Credit Agreement of even date herewith between Maker, as Borrower, and Holder, as Lender (the "Revolving Credit Agreement"), and is secured by, inter alia, a Security Agreement of even date herewith. The foregoing and all other agreements, instruments and documents delivered in connection therewith and herewith are collectively referred to as the "Loan Documents."

This Note has been executed and delivered in, and is to be governed by and construed under the laws of, the State of Florida, as amended, except as modified by the laws and regulations of the United States of America.

Maker shall have no obligation to pay interest or payments in the nature of interest in excess of the maximum rate of interest allowed to be contracted for by law, as changed from time to time, applicable to this Note (the "Maximum Rate"). Any interest in excess of the Maximum Rate paid by Maker ("excess sum") shall be credited as a payment of principal, or, if Maker so requests in writing, returned to Maker, or, if the indebtedness and other obligations evidenced by this Note have been paid in full, returned to Maker together with interest at the same rate as was paid by Maker during such period. Any excess sum credited to principal shall be credited as of the date paid to Holder. The Maximum Rate varies from time to time and from

time to time there may be no specific maximum rate. Holder may, without such action constituting a breach of any obligations to Maker, seek judicial determination of the applicable rate of interest, and its obligation to pay or credit any proposed excess sum to Maker.

The "Default Interest Rate" and, in the event no specific maximum rate is applicable, the Maximum Rate shall be twenty-five percent (25%) per annum if the face amount of this Note is greater than \$500,000.00; otherwise, it shall be eighteen percent (18%) per annum.

Holder shall have the right to declare the total unpaid balance hereof to be immediately due and payable in advance of the Maturity Date upon the failure of Maker to pay when due any payment of principal or interest or other amount due hereunder; or upon the occurrence of an event of default pursuant to any other Loan Documents now or hereafter evidencing, securing payment of this Note or if Maker shall become insolvent or declare a voluntary or involuntary petition of bankruptcy. Exercise of this right shall be without notice to Maker or to any other person liable for payment hereof, notice of such exercise being hereby expressly waived.

Without in any way altering the generality of this Note, upon the occurrence of any event of default or upon an occurrence that, with the giving of notice, or passage of time, or both, will constitute such an event of default hereunder or under any other Loan Documents now or hereafter evidencing, securing or guarantying payment of this Note, Holder shall have no further obligation under this Note or any Loan Document to disburse additional funds to Maker.

Any payment hereunder not paid when due (at maturity, upon acceleration or otherwise) shall bear interest at the Default Interest Rate from the due date until paid.

Provided Holder has not accelerated this Note, Maker shall pay Holder a late charge of five percent (5%) of any required payment which is not received by Holder when said payment is due. The parties agree that said charge is a fair and reasonable charge for the late payment and shall not be deemed a penalty.

Time is of the essence hereunder. In the event that this Note is collected by law or through attorneys at law, or under advice therefrom, Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fees, whether or not suit is brought, and whether incurred in connection with collection, trial, appeal, bankruptcy or other creditors' proceedings or otherwise.

Acceptance of partial payments or payments marked "payment in full" or "in satisfaction" or words to similar effect shall not affect the duty of Maker to pay all obligations due hereunder, and shall not affect the right of Holder to pursue all remedies available to it under any Loan Documents.

The remedies of Holder shall be cumulative and concurrent, and may be pursued singularly, successively or together, at the sole discretion of Holder, and may be exercised as often as occasion therefor shall arise. No action or omission of Holder, including specifically any failure to exercise or forbearance in the exercise of any remedy, shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing or as constituting a course of dealing, nor shall it be construed as a bar to, or as a waiver or release of, any subsequent remedy as to a subsequent event.

Maker hereby consents and submits to the jurisdiction of the courts of the State of Florida, and, notwithstanding its place of residence or organization or the place of execution of this Note, any litigation relating hereto, whether arising in contract or tort, by statute or otherwise, shall be brought in (and, if brought elsewhere, shall be transferred to) a State court of competent jurisdiction in Hillsborough County, Florida.

Any notice to be given or to be served upon any party hereto in connection with this Note, whether required or otherwise, may be given in any manner permitted under the Loan Documents.

Whenever the context so requires, the neuter gender includes the feminine and/or masculine, as the case may be, and the singular number includes the plural, and the plural number includes the singular.

Maker hereby expressly waives any valuation and appraisal, presentment, demand for payment, notice of dishonor, protest, notice of nonpayment or protest, all other forms of notice whatsoever, and diligence in collection.

MAKER, BY EXECUTING THIS NOTE OR ANY OTHER DOCUMENT CREATING SUCH LIABILITY, WAIVES ITS RIGHTS TO A TRIAL BY JURY IN ANY ACTION, WHETHER ARISING IN CONTRACT OR TORT, BY STATUTE OR OTHERWISE, IN ANY WAY RELATED TO THIS NOTE. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER'S EXTENDING CREDIT TO MAKER AND NO WAIVER OR LIMITATION OF HOLDER'S RIGHTS UNDER THIS PARAGRAPH SHALL BE EFFECTIVE UNLESS IN WRITING AND MANUALLY SIGNED ON HOLDER'S BEHALF.

Maker acknowledges that the above paragraph has been expressly bargained for by Holder as part of the loan evidenced hereby and that, but for Maker's agreement, Holder would not have extended the loan for the term and with the interest rate provided herein.

IN WITNESS WHEREOF, Maker has executed this Note on the day and year first above written.

ODYSSEY MARINE EXPLORATION, INC., a
Nevada corporation

By: /s/ John C. Morris

Name: John C. Morris

Its: President

“MAKER”

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is entered into this 21 day of April, 2005 by and between ODYSSEY MARINE EXPLORATION, INC., a Nevada corporation ("Debtor"), and MERCANTILE BANK ("Secured Party").

1. SECURITY INTEREST

To secure payment and performance of the Obligations (as defined below), Debtor grants Secured Party a security interest in all of the property described below in which Debtor has or acquires an interest, wherever located, whether now owned or hereafter acquired, ("Collateral"):

(a) All of the numismatic quality gold coins now or hereafter recovered by Debtor from the shipwreck known as "SS Republic" (the "Coins"), as specifically listed on Schedule 1 attached hereto, together with additions;

(b) All accounts, contract rights, documents, chattel paper (including electronic chattel paper), instruments, and general intangibles, and all returned or repossessed goods arising from sales of the Coins (the "Accounts");

(c) All proceeds of insurance policies insuring any of the Coins against loss (whether or not the Secured Party is a loss payee or additional insured thereof) and any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to the Coins;

(d) All salvage rights of the Debtor with respect to its services in recovering the Coins;

(e) All equipment, fixtures, and inventory (including all goods held for sale, lease or demonstration or to be furnished under contracts of service, goods leased to others, trade-ins and repossessions, raw materials, work in process and materials or supplies used or consumed in Debtor's business), including all spare and repair parts, special tools, equipment and replacements for any of the foregoing, and any software embedded therein or related thereto;

(f) All financial assets, investment property, securities (whether certificated or uncertificated, and including investment company securities), security entitlements, securities accounts, commodity contracts, and commodity accounts, including all substitutions and additions thereto, and all dividends, distributions and sums distributable or payable from, upon or in respect of such property;

(g) All commercial tort claims;

(h) All deposit accounts of Debtor maintained by Secured Party;

(i) All letter-of-credit rights; and

(j) All supporting obligations that support the payment or performance of any of the foregoing (“Supporting Obligations”);

(k) All additions and accessions to, all proceeds, products, offspring and profits of, and all rights and privileges incident to, any of the foregoing.

The term “Obligations” is used herein in its most comprehensive sense and includes (without limitation) any and all present and future debts, obligations and liabilities of Debtor to Secured Party pursuant to that certain Revolving Credit Agreement of even date herewith (the “Loan Agreement”) between Debtor and Secured Party, as the same may be amended, renewed, modified or extended from time to time, and any and all other debts, obligations, and liabilities of Debtor to Secured Party, heretofore, now or hereafter made, incurred, or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, secured or unsecured, whether Debtor is liable individually or jointly with others, whether for principal, interest or other debts, obligations or liabilities, and whether or not any or all such debts, obligations and liabilities are or become barred by any statute of limitations or otherwise unenforceable, including (without limitation) all obligations of Debtor under this Agreement, all obligations with respect to overdrafts in deposit accounts, letters of credit and bankers’ acceptances, and interest rate swap, cap, floor, collar, option and other derivative transactions, and including any of the foregoing that arise after the filing of a petition by or against Debtor under the United States Bankruptcy Code.

2. DEBTOR’S WARRANTIES

Debtor warrants to Secured Party that while any of the Obligations are unpaid:

(a) Ownership. Debtor is the owner of the Collateral free of all encumbrances and security interests except Secured Party’s security interest and Permitted Liens, as defined in the Loan Agreement.

(b) Other Financing. Unless waived by Secured Party in writing, no financing statement (other than Secured Party’s) is on file covering the Collateral or its products or proceeds.

(c) Documents. If Collateral is represented or covered by documents of title, Debtor is the owner of the documents, free of all encumbrances and security interests other than Secured Party’s security interest.

(d) Sale of Goods. Each account and chattel paper constituting Collateral arose from a bona fide sale of goods, which have been delivered or shipped to the account debtor and for which Debtor has genuine invoices, shipping documents or receipts.

(e) Enforceability. Each account, contract right and chattel paper constituting Collateral is genuine and (except as disclosed to Secured Party in writing) enforceable against the account debtor according to its terms. It and the transaction out of which it arose comply with all applicable laws and regulations. The amount represented by Debtor to Secured Party as owing by each account debtor is the amount actually owing and is not subject to setoff, credit,

allowance or adjustment, except discount for prompt payment, nor (except as disclosed to Secured Party in writing) has any account debtor returned the goods or disputed its liability. There has been no default as of the date of this Agreement according to the terms of any Accounts or Supporting Obligation and no step has been taken to foreclose the security interest it evidences or otherwise enforce its payment. As of the date of this Agreement Debtor has no notice or knowledge of anything which might impair the credit standing of any account debtor.

(f) Authority to Contract. The execution and delivery of this Agreement and any instruments evidencing Obligations will not violate or constitute a breach of Debtor's articles of incorporation or bylaws or any agreement or restriction to which Debtor is a party or is subject.

(g) Accuracy of Information. All information, certificates or statements given to Secured Party pursuant to this Agreement shall be true and complete in all material respects when given, except to the extent that such information, certificate or statement is expressly given as of an earlier date.

(h) Form of Organization; Names and Addresses. Debtor is a corporation organized under the laws of the State of Nevada. The name of Debtor set forth in this Agreement is the correct and exact name of Debtor as it appears in the offices of the Nevada Secretary of State. Debtor does not do business under any other name. The address appearing below Debtor's signature is Debtor's chief executive office. Debtor shall advise Secured Party in writing at least thirty (30) days before any change of name, identity, form of organization, state of organization, or chief executive office. The address where the Collateral will be kept is set forth in Exhibit A. No Collateral will be kept at any other location without the prior written consent of Secured Party, but the parties intend that the Collateral, wherever located, is covered by this Agreement.

(i) Environmental Laws. (i) To the knowledge of Debtor, no substances or materials have been, are or will be stored, deposited, treated, recycled or disposed of on, under or at any real estate now or at any time owned or occupied by Debtor ("Property") which substances or materials, if known to be present on, at or under the Property, would require cleanup, removal or some other remedial action under any federal, state or local laws, regulations, ordinances, codes or rules relating to the discharge of air pollutants, water pollutants, or process wastewater or otherwise relating to hazardous or toxic substances or materials ("Environmental Laws"), (ii) To the knowledge of Debtor, there are no conditions existing currently or likely to exist during the term of this Agreement which would subject Debtor to damages, penalties, injunctive relief or cleanup costs under Environmental Laws, and (iii) Debtor is not subject to any judgment, decree, order or citation relating to or arising out of Environmental Laws.

3. SALE AND COLLECTIONS

(a) Proceeds of Collateral. So long as no default exists under any of the Obligations or this Agreement, Debtor may sell the Coins in the ordinary course of Debtor's business for cash or on terms approved by Secured Party (which approval shall not be unreasonably withheld, conditioned or delayed), at prices not less than the Release Prices set

forth on Exhibit A. Unless otherwise agreed by Secured Party, all proceeds of Collateral received by Debtor shall be held by Debtor upon an express trust for Secured Party, shall not be commingled with any other funds or property of Debtor, and shall be turned over to Secured Party not later than the business day following the day of their receipt. All proceeds received by Secured Party shall be applied against the Obligations in accordance with the Loan Agreement.

(b) Verification and Notification. Secured Party may verify accounts, chattel paper and contract rights in any manner, and Debtor shall assist Secured Party in so doing. Secured Party may at any time and Debtor shall, upon request of Secured Party, notify the account debtors to make payment directly to Secured Party and Secured Party may enforce collection of, settle, compromise, extend or renew the indebtedness of such account debtors. Until account debtors are otherwise notified, Debtor, as agent of Secured Party, shall make collections on the Collateral.

4. DEBTOR'S COVENANTS

Debtor agrees:

(a) Maintenance of Collateral. Debtor shall: maintain the Collateral in salable condition and not permit its value to be materially impaired; keep it free from all liens, encumbrances and security interests (other than Secured Party's security interest and Permitted Liens (as defined in the Loan Agreement)); defend it against all claims and legal proceedings by persons other than Secured Party; pay and discharge when due all taxes, license fees, levies and other charges upon it, other than for amounts contested in good faith by appropriate proceedings; not sell, lease, license or otherwise dispose of it or permit it to become a fixture or an accession to other goods, except for sales of Coins authorized as provided in this Agreement; not permit it to be used in violation of any applicable law, regulation or policy of insurance; and, as to Collateral consisting of instruments and chattel paper, preserve rights in it against prior parties. Loss of or damage to the Collateral shall not release Debtor from any of the Obligations.

(b) Insurance. Unless otherwise agreed in writing by Secured Party, Debtor shall keep the Collateral and Secured Party's interest in it insured under policies with such provisions, for such amounts and by such insurers as shall satisfy the requirements of the Loan Agreement. Debtor assigns (and directs any insurer to pay) to Secured Party the proceeds of all such insurance and any premium refund, and authorizes Secured Party to endorse in the name of Debtor any instrument for such proceeds or refunds and, at the option of Secured Party, to apply such proceeds and refunds to any unpaid balance of the Obligations whether or not due, and/or to restoration of the Collateral, returning any excess to Debtor. Secured Party is authorized, in the name of Debtor or otherwise, to make, adjust, settle claims under and/or cancel any insurance on the Collateral.

(c) Maintenance of Security Interest. Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of Secured Party. Debtor will cooperate with Secured Party in obtaining a Collateral Control Agreement in form and substance satisfactory to Secured Party with respect to Collateral in the custody of any third party.

Debtor shall pay all expenses and, upon request, execute and deliver any further documents and take any further actions reasonably deemed advisable by Secured Party to preserve the Collateral or to establish, determine priority of, perfect, continue perfected, terminate and/or enforce Secured Party's interest in it or rights under this Agreement.

(d) Collateral Records and Statements. Debtor shall keep accurate and complete records respecting the Collateral in such form as Secured Party shall reasonably request. At such times as Secured Party may require, Debtor shall furnish to Secured Party a statement certified by Debtor and in such form and containing such information as may be prescribed by Secured Party, showing the current status and value of the Collateral.

(e) Inspection of Collateral. At reasonable times and in a manner that will not unreasonably interfere with normal business operations, Secured Party may examine the Collateral and Debtor's records pertaining to it, wherever located, and make copies of records. Debtor shall assist Secured Party in so doing.

(f) Chattel Paper. Chattel Paper constituting Collateral shall be on forms approved by Secured Party. Debtor shall promptly mark all such chattel paper, and all copies, to indicate conspicuously the Secured Party's interest and, upon request, deliver them to Secured Party.

(g) Modifications. Without the prior written consent of Secured Party (which consent will not be unreasonably withheld, conditioned or delayed), Debtor shall not alter, modify, extend, renew or cancel any Collateral.

(h) Returns and Repossessions. Debtor shall promptly notify Secured Party of the return to or repossession by Debtor of any Collateral and Debtor shall hold and dispose of them only as Secured Party directs.

(i) Taxes and Other Charges. Debtor shall pay and discharge all lawful taxes, assessments and governmental charges upon Debtor or against its properties prior to the date on which penalties attach, unless and to the extent only that such taxes, assessments and charges are contested in good faith and by appropriate proceedings by Debtor.

5. RIGHTS OF SECURED PARTY

(a) Authority to Perform for Debtor. If Debtor fails to act as required by this Agreement or the Obligations, Secured Party is authorized, in Debtor's name or otherwise, to take any such action including, without limitation, signing Debtor's name or paying any amount so required, and the cost shall be one of the Obligations secured hereby and shall be payable by Debtor upon demand with interest from the date of payment by Secured Party at the highest rate then payable on the Obligations.

(b) Charging Debtor's Credit Balance. Without limiting the generality of Section 1 above, Debtor grants Secured Party, as security for the Obligations, a security interest and lien in any credit balance and other money now or hereafter owed Debtor by Secured Party, including deposit accounts and certificates of deposit, and, in addition, agrees that Secured Party may, without prior notice or demand, charge against any such credit balance or other money any amount owing upon the Obligations, whether due or not.

(c) Power of Attorney. Debtor irrevocably appoints any officer of Secured Party as Debtor's attorney, with power (exercisable at any time after default) to receive, open and dispose of all mail addressed to Debtor; to notify the Post Office authorities to change the address for delivery of all mail addressed to Debtor to such address as Secured Party may designate; and to endorse the name of Debtor upon any instruments which may come into Secured Party's possession.

The power of attorney created by this section 5(c) is coupled with an interest and may not be revoked by Debtor. All acts of such attorney are ratified and approved. Such attorney is not liable for any act or omission or for any error of judgment or mistake of fact or law taken without willful misconduct.

(d) Nonliability of Secured Party. Secured Party has no duty to protect, insure, collect or realize upon the Collateral or preserve rights in it against prior parties. Debtor releases Secured Party from any liability for any act or omission relating to the Obligations, the Collateral or this Agreement, except Secured Party's willful misconduct.

(e) Financing Statements. Debtor authorizes Secured Party to prepare and file financing statements describing the Collateral in such jurisdictions as Secured Party deems appropriate.

(f) No Waiver. No delay on the part of the Secured Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein specified are cumulative and not exclusive of any rights or remedies which the Secured Party would otherwise have.

6. DEFAULT

Upon the occurrence of any Event of Default, as defined in Article 8 of the Loan Agreement or any other default under any instrument, document or agreement evidencing or governing any of the Obligations, all of the Obligations shall, at the option of Secured Party and without notice or demand, become immediately payable; and Secured Party shall have all rights and remedies for default provided by the Uniform Commercial Code, as well as any other applicable law and the Obligations. With respect to such rights and remedies:

(a) Repossession. To the extent permitted by applicable law, Secured Party may enter into premises where any Collateral may be located, and may take possession of Collateral, all without notice or hearing.

(b) Assembling Collateral. Secured Party may require Debtor to assemble the Collateral and to make it available to Secured Party at any convenient place designated by Secured Party. It is agreed that Secured Party will not have an adequate remedy at law if this obligation is breached, and accordingly that Debtor's obligation to assemble Collateral shall be specifically enforceable.

(c) Notice of Disposition. Written notice, when required by law, sent to any address of Debtor in this Agreement at least 10 calendar days (counting the day of sending) before the date of a proposed disposition of the Collateral is reasonable notice.

(d) Disposition. Secured Party may sell Collateral on credit (and reduce the Obligations only when payment is actually received from the buyer) at wholesale and with or without an agent or broker; and Secured Party may but need not complete, process or repair any Collateral prior to disposition.

(e) Expenses and Application of Proceeds. Debtor shall reimburse Secured Party for any expense incurred by Secured Party in protecting or enforcing its rights under this Agreement before and after judgment including, without limitation, reasonable attorneys' fees and legal expenses and all expenses of taking possession, holding, preparing for disposition and disposing of the Collateral. After deduction of such expenses, Secured Party may apply the proceeds of disposition to the other Obligations in such order and amounts as it elects, subject only to section 3(a) above.

(f) Waiver. Secured Party may permit Debtor to remedy any default without waiving the default so remedied, and Secured Party may waive any default without waiving any other subsequent or prior default by Debtor.

(g) No Obligation to Pursue Others. Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any third person for any of the Obligations.

(h) Compliance with Other Laws. Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral, and such compliance will not be considered adversely to affect the commercial reasonableness of any such disposition.

(i) Warranties. Secured Party may sell or otherwise dispose of Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title or the like, all without being deemed to have impaired the commercial reasonableness of any disposition of Collateral.

(j) Sales on Credit. If Secured Party sells any of the Collateral on credit, Debtor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Debtor shall be credited with the proceeds of such resale.

(k) No Marshalling. Secured Party shall have no obligation to marshal any assets for the benefit of Debtor or any third party.

7. PERSONS BOUND

This Agreement benefits Secured Party, its successors and assigns, including every holder or owner of any of the Obligations, binds the Debtor(s) and their respective heirs, personal representatives and successors, and shall bind all persons who become bound as a Debtor to this Agreement. Debtor may not assign this Security Agreement without the prior written consent of Secured Party.

8. INTERPRETATION

The validity, construction and enforcement of this Agreement are determined and governed by the internal laws of the State of Florida. All terms not otherwise defined have the meanings assigned to them by Articles 1 and 9 of the Uniform Commercial Code of the State of Florida, as it may be amended, reenacted or otherwise in effect from time to time. Invalidity of any provision of this Agreement shall not affect the validity of any other provision. This Agreement supplements, and does not supersede or replace, any previous security agreement between Debtor and Secured Party. In the event of inconsistency, this Agreement shall control. Any amendment or modification of this Security Agreement must be made in writing and signed by Secured Party and Debtor.

9. CONSENT TO JURISDICTION

Debtor hereby consents to the exclusive jurisdiction of any state or federal court situated in Hillsborough County, Florida, and waives any objection based on lack of personal jurisdiction, improper venue or forum non conveniens, with regard to any actions, claims, disputes or proceedings relating to this Agreement, any Collateral, or any document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Debtor waives personal service of any and all process, and consents to all such service of process made by mail or by messenger directed to the address specified below. Nothing herein shall affect the Secured Party's right to serve process in any manner permitted by law, or limit the Secured Party's right to bring proceedings against Debtor or its property or assets in the competent courts of any other jurisdiction or jurisdictions.

10. WAIVER OF JURY TRIAL

Debtor hereby waives any and all right to trial by jury in any action or proceeding relating to this Agreement, any Collateral, or any document delivered hereunder or in connection herewith, or any transaction arising from or connected to any of the foregoing. Debtor represents that this waiver is knowingly, willingly and voluntarily given.

11. LIMITATION OF LIABILITY

Debtor hereby waives any right it may now or hereafter have to claim or recover from the Secured Party any consequential, exemplary or punitive damages.

IN WITNESS WHEREOF , this Agreement is executed by the Debtor as of the date first above written.

DEBTOR:

ODYSSEY MARINE EXPLORATION, INC., a
Nevada corporation

By: /s/ John C. Morris
Title: President

Address: 5215 West Laurel Street
Tampa, Florida 33607

SCHEDULE 1

COINS

(ATTACHED)

SCHEDULE 2

Address(es) where collateral will be kept:

(blanked out for security purposes)

as provided for in that certain Collateral Control Agreement entered into between and among the Debtor, the Secured Party, and Numismatic Guaranty Corporation of America.

SUBSIDIARIES OF THE REGISTRANT

<u>NAME OF SUBSIDIARY</u>	<u>STATE OF INCORPORATION</u>
Odyssey Marine, Inc.	Florida
Odyssey Marine Services, Inc.	Nevada
OVH, Inc.	Nevada
Odyssey Retriever, Inc.	Nevada
Odyssey Marine Entertainment, Inc.	Nevada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3, SEC File No. 333-123650 and 333-117153 and on Form S-8, SEC file No. 333-50325, 333-76038, and 333-50343 of our reports dated February 14, 2006, relating to the financial statements of Odyssey Marine Exploration, Inc. and Subsidiaries, and management's report on the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K of Odyssey Marine Exploration, Inc. and Subsidiaries for the year ended December 31, 2005.

/s/ Ferlita, Walsh & Gonzalez, P.A.

Ferlita, Walsh & Gonzalez, P.A.
3302 Azeele Street
Tampa, Florida 33609

March 14, 2006

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael V. Barton, certify that:

1. I have reviewed this quarterly report on Form 10-K of Odyssey Marine Exploration, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2006

/ s / M I C H A E L V. B A R T O N

**Michael V. Barton
Chief Executive Officer & President**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael J. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-K of Odyssey Marine Exploration, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant's, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2006

/ s / M I C H A E L J . H O L M E S

Michael J. Holmes
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
ODYSSEY MARINE EXPLORATION, INC.
PURSUANT TO 18 U.S.C. SECTION 1350**

I hereby certify that, to the best of my knowledge, the annual report on Form 10-K of Odyssey Marine Exploration, Inc. for the period ending December 31, 2005:

- (1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of Odyssey Marine Exploration, Inc.

/ s / M ICHAEL V. B ARTON

Michael V. Barton
Chief Executive Officer & President

March 14, 2006

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Odyssey Marine Exploration, Inc. and will be retained by Odyssey Marine Exploration, Inc. and furnished to the Securities and Exchange Commission upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
ODYSSEY MARINE EXPLORATION, INC.
PURSUANT TO 18 U.S.C. SECTION 1350**

I hereby certify that, to the best of my knowledge, the annual report on Form 10-K of Odyssey Marine Exploration, Inc. for the period ending December 31, 2005:

- (1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material aspects, the financial condition and results of operations of Odyssey Marine Exploration, Inc.

/ s / M I C H A E L J . H O L M E S

**Michael J. Holmes
Chief Financial Officer**

March 14, 2006

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Odyssey Marine Exploration, Inc. and will be retained by Odyssey Marine Exploration, Inc. and furnished to the Securities and Exchange Commission upon request.