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ODYSSEY MARINE EXPLORATION INC  
Form 10QSB  
July 15, 2002

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

FORM 10-QSB

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

For the quarterly period ended May 31, 2002

Commission File Number 0-26136

ODYSSEY MARINE EXPLORATION, INC.

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

Nevada

84-1018684

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
identification No.)

3604 Swann Avenue, Tampa, Florida 33609

-----  
(Address of principal executive offices)

(813) 876-1776

-----  
(Registrants telephone number including area code)

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.

[ X ] Yes [ ] No

As of June 30, 2002, the Registrant had 27,395,536 shares of Common Stock, \$.0001 Par Value, outstanding.

Transitional Small Business Disclosure format: Yes [ ] No [ X ]

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET AS OF MAY 31, 2002- Unaudited

ASSETS

CURRENT ASSETS

Cash	\$ 1,337,618
Advances	3,019
Prepaid Expenses	68,540
	-----
Total current assets	1,409,177

PROPERTY AND EQUIPMENT

Equipment and office fixtures	395,014
Accumulated depreciation	(175,190)
	-----
	219,824

OTHER ASSETS

Loans receivable from related parties	261,407
Inventory	19,692
Deposits	45,206
	-----
	326,305
	-----
	\$ 1,955,306
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 138,940
Accrued expenses	30,872
	-----
Total current liabilities	169,812

NOTES PAYABLE TO RELATED PARTY

56,144

DEFERRED INCOME FROM REVENUE PARTICIPATION CERTIFICATES

887,500

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 and none outstanding	-
Common stock - \$.0001 par value; 100,000,000 shares authorized; 27,395,536 issued and outstanding	2,739
Additional paid-in capital	8,688,112
Accumulated deficit	(7,849,001)
	-----
Total stockholders' equity	841,850

\$ 1,955,306

=====

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

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited

	Three Months 2002	Ended May 31, 2001
	-----	-----
OPERATING EXPENSES		
Project development	1,874	42,136
Project operations	265,515	411,651
Marketing and promotion	20,367	39,233
	-----	-----
Total operating expenses	287,756	493,020
GENERAL AND ADMINISTRATIVE EXPENSES	296,071	125,934
	-----	-----
(LOSS) FROM OPERATIONS	(583,827)	(618,954)
OTHER INCOME OR (EXPENSE)		
Interest income	8,796	27,173
Interest expense	(1,415)	(1,560)
	-----	-----
Total other income or (expense)	7,381	25,613
	-----	-----
NET LOSS	\$ (576,446)	\$ (593,341)
	=====	=====
OTHER COMPREHENSIVE LOSS, NET OF TAX		
Unrealized loss on available for sale securities	-	8,466
	-----	-----
COMPREHENSIVE LOSS	\$ (576,446)	\$ (601,807)
	=====	=====
(BASIC AND DILUTED LOSS PER SHARE)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares and potential common shares, basic and diluted, outstanding	26,608,140	17,865,536

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

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### CONSOLIDATED STATEMENTS OF CASH FLOWS - Unaudited

	Three Months 2002	Ended May 31, 2001
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income(Loss)	\$ (576,446)	\$ (593,341)
Adjustments to reconcile net loss to net cash used by operating activity:		
Depreciation	19,144	16,949
Compensation expense of non-statutory options	26,300	-
Interest income	(5,167)	(4,604)
Interest expense	1,415	1,559
(Increase)decrease in:		
Advances, prepaids, deposits	(91,181)	(24,700)
Inventory	308	-
Increase(decrease) in:		
Accounts payable	88,385	(11,718)
Accrued expenses	12,186	35,267
	-----	-----
<b>NET CASH(USED) IN OPERATING ACTIVITIES</b>	<b>(525,056)</b>	<b>(580,588)</b>
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(9,875)	(77,181)
Increase in loans receivable	-	(48,600)
	-----	-----
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>	<b>(9,875)</b>	<b>(125,781)</b>
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from:		
Issuance of common stock	1,015,000	-
	-----	-----
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,015,000</b>	<b>-</b>
	-----	-----
<b>NET INCREASE(DECREASE) IN CASH</b>	<b>480,069</b>	<b>(706,369)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>857,549</b>	<b>2,433,187</b>
	-----	-----
<b>CASH AT END OF PERIOD</b>	<b>\$ 1,337,618</b>	<b>\$ 1,726,818</b>
	=====	=====
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

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ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

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Summary of significant non cash transactions:

During the quarter ended May 31, 2002, two unrelated parties exercised non statutory stock options resulting in non cash expense of \$26,300 due to the difference in fair market value and the option exercise price on the date of exercise of the options.

During the quarter ended May 31, 2001, a note to a related party was renewed. The original principal amount of \$48,821 and accrued interest of \$7,323 were combined in a new note in the principal amount of \$56,144 bearing interest at 10% per annum. The due date was extended to March 31, 2003.

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

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

NOTE A - BASIS OF PRESENTATION

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The accompanying unaudited consolidated financial statements of Odyssey Marine Exploration, Inc. and subsidiary have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and the instructions to Form 10-QSB and, therefore, do not include all information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Form 10-KSB for the year ended February 28, 2002.

In the opinion of management, these financial statements reflect all adjustments (including normal recurring adjustments) necessary for a fair presentation of the financial position as of May 31, 2002, results of operations, and cash flows for the interim periods presented. Operating results for the three months ended May 31, 2002, are not necessarily indicative of the results that may be expected for the year ended February 28, 2003.

### NOTE B COMMITMENTS AND CONTINGENCIES

On April 29, 2002, the Company entered into a Time Charter Agreement for utilization of a vessel on the Bavaria project. At May 31, the Company was liable for approximately \$101,200 to complete the charter contract obligation and had paid an advance deposit of \$30,800 to be applied to the final invoice from the vessel owners.

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### ITEM 2. MANAGEMENT'S PLAN OF OPERATION.

#### Forward-Looking Information

This Report on Form 10-QSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding Odyssey Marine Exploration, Inc. and its subsidiaries

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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.

### Plan of Operation

In the long term, the Company expects to derive substantially all of its revenue through the sale and/or display of shipwreck cargoes and artifacts, including replicas, and potentially, through the operation of exhibits and/or themed attractions. Therefore, until the Company is successful in acquiring and marketing artifacts and/or cargoes or opening exhibits or themed attractions, it will be dependent upon investment capital to meet its cash flow requirements. To date, the Company has conducted private placements of debt, equity and project specific revenue participation to meet its financial obligations. During the next twelve months, the Company anticipates spending approximately \$80,000 per month to pay salaries and general office expense.

Operationally, the Company is planning to conduct search operations on the Bavaria and Republic Projects and to conduct recovery operation on the HMS Sussex Project. Additionally, the Company plans to investigate exhibit and attraction opportunities.

### Bavaria Search Expedition

The Company has budgeted \$600,000 for the Bavaria search expedition which began April 29, 2002. The side scan survey project is expected to be concluded during July or August 2002. If the shipwreck is located, the Company anticipates that recovery operations will begin as soon as the archeological excavation plan is complete, the necessary recovery funds have been secured and the required vessel and equipment can be mobilized. The Company believes that it will not need permits or licenses to begin recovery operations, and currently has no partners or revenue sharing obligation for proceeds that might be realized if a recovery is successful on this project.

The funds necessary for this search operation were raised in a \$1 million private placement of equity and warrants, which was concluded in May 2002. The balance of the private placement funds has been allocated to pay administrative and general overhead expense.

### Republic Search Expedition

The Company has budgeted \$350,000 to complete the Republic Project search. Whether or not the Company will be required to raise additional funding to complete the Republic search will depend on the amount of money spent on the Bavaria Project, the potential exercise of outstanding options and/or warrants and the method and amount of any potential funding raised in conjunction with the Sussex recovery project.

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### HMS Sussex Recovery Project

The Company is currently in the process of concluding its negotiations with the United Kingdom Ministry of Defence for a license to recover a shipwreck the Company believes to be HMS Sussex. Although management believes that it will obtain this license, there is no assurance it will be obtained.



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Upon signing the License Agreement, the Company will be required to submit a Project Plan detailing, among other things, its proposed methods for the exploration of the shipwreck and for the conservation, documentation and curation of any artifacts that may be retrieved. A substantial portion of the Project Plan has been completed in anticipation of receiving the License, and the Company plans to submit it to the Ministry of Defence shortly after signing the License Agreement.

The Company plans to begin the exploration as soon as the Project Plan is approved, financing can be arranged and the appropriate vessel, equipment and personnel are retained.

### PART II. OTHER INFORMATION

#### ITEM 1. Legal Proceedings.

None.

#### ITEM 2. Changes in Securities.

During the three month period ended May 31, 2002, the Company raised \$1,000,000 from 27 accredited investors in a private offering of Common Stock and warrants. A total of 800,000 shares and 800,000 warrants were sold. Each warrant is exercisable to purchase one share of common stock at \$2.50 per share through May 15, 2005. The securities were sold pursuant to the exemption provided by Rule 506 of Regulation D under the Securities Act of 1933. The Company filed a Form D with the SEC concerning this offering. The investors were provided with a private placement memorandum with information regarding the Company and their investment, and the Company believes that such persons had knowledge and experience in financial and business matters such that they were capable of evaluating the merits and risks of the investment. The certificates representing the securities bear an appropriate legend restricting the transfer of such securities.

#### ITEM 3. Defaults Upon Senior Securities.

None.

#### ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

#### ITEM 5. Other Information.

None.

#### ITEM 6. Exhibits and Reports on Form 8-K.

None.

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### SIGNATURES

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

ODYSSEY MARINE EXPLORATION, INC.

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Date: July 15, 2002

By:/s/ Michael V. Barton  
Michael V. Barton, Chief Financial Officer  
and Authorized Officer