

ODYSSEY MARINE EXPLORATION INC
Form 10-Q
August 07, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2006

or

Transition report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 1-31895

ODYSSEY MARINE EXPLORATION, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

5215 W. Laurel Street, Tampa, Florida 33607

(Address of principal executive offices) (Zip code)

(813) 876-1776

(Registrant's telephone number, including area code)

84-1018684
(I.R.S. Employer

Identification No.)

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant 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 Exchange Act): Yes No

The number of outstanding shares of the registrant's Common Stock, \$.0001 par value, as of July 25, 2006 was 46,127,678.

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	(Unaudited) June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,880,641	\$ 3,283,331
Accounts receivable, net	1,501,183	1,527,913
Inventory	4,412,908	4,728,394
Other current assets	304,193	729,678
Total current assets	10,098,925	10,269,316
PROPERTY AND EQUIPMENT		
Equipment and office fixtures	13,828,938	10,745,738
Building and land	4,040,824	3,973,988
Accumulated depreciation	(3,800,981)	(2,738,572)
Total property and equipment	14,068,781	11,981,154
OTHER ASSETS		
Inventory (non current)	6,035,046	5,839,914
Attraction development	1,241,141	1,172,475
Other non current assets	917,141	927,599
Total other assets	8,193,328	7,939,988
Total assets	\$ 32,361,034	\$ 30,190,458
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 478,337	\$ 601,129
Accrued expenses	1,139,228	1,843,261
Mortgage and loans payable	355,159	111,433
Deposits	32,652	103,069
Total current liabilities	2,005,376	2,658,892
LONG TERM LIABILITIES		
Mortgage and loans payable	3,273,939	1,758,333
Deferred income from Revenue Participation Certificates	887,500	887,500
Total long term liabilities	4,161,439	2,645,833
Total liabilities	6,166,815	5,304,725

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STOCKHOLDERS EQUITY

Preferred stock - \$.0001 par value; 6,800,000 and 9,300,000 shares authorized; none outstanding		
Preferred stock series A convertible - \$.0001 par value; 510,000 shares authorized; none issued or outstanding		
Preferred stock series D convertible - \$.0001 par value; 2,500,000 and 0 shares authorized, issued and outstanding	250	
Common stock - \$.0001 par value; 100,000,000 Shares authorized; 46,127,678 and 45,823,224 issued and outstanding	4,613	4,582
Additional paid-in capital	53,298,560	43,870,228
Accumulated deficit	(27,109,204)	(18,989,077)
Total stockholders equity	26,194,219	24,885,733
Total liabilities and stockholders equity	\$ 32,361,034	\$ 30,190,458

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited**

	Three Months Ended	
	June 30,	June 30,
	2006	2005
REVENUE	\$ 1,957,834	\$ 3,825,818
OPERATING EXPENSES		
Cost of sales	259,607	353,809
Marketing, general & administrative	2,182,985	2,386,394
Operations & research	3,737,932	2,737,795
Total operating expenses	6,180,524	5,477,998
INCOME (LOSS) FROM OPERATIONS	(4,222,690)	(1,652,180)
OTHER INCOME (EXPENSE)		
Interest income	56,158	6,969
Interest expense	(36,077)	(28,236)
Other	11,170	28,312
Total other income (expense)	31,251	7,045
INCOME (LOSS) BEFORE INCOME TAXES	(4,191,439)	(1,645,135)
Income tax benefit (provision)		564,468
NET INCOME (LOSS)	(4,191,439)	(1,080,667)
EARNINGS (LOSS) PER SHARE		
Basic and diluted	\$ (.09)	\$ (.03)
Weighted average number of common shares outstanding		
Basic and diluted	46,108,337	41,686,862

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

Table of Contents**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited**

	Six Months Ended	
	June 30,	June 30,
	2006	2005
REVENUE	\$ 2,823,013	\$ 7,175,334
OPERATING EXPENSES		
Cost of sales	373,937	570,097
Marketing, general & administrative	4,584,346	4,307,321
Operations & research	6,001,987	4,050,250
Total operating expenses	10,960,270	8,927,668
INCOME (LOSS) FROM OPERATIONS	(8,137,257)	(1,752,334)
OTHER INCOME (EXPENSE)		
Interest income	69,860	15,497
Interest expense	(78,197)	(56,746)
Other	25,467	41,823
Total other income (expense)	17,130	574
INCOME (LOSS) BEFORE INCOME TAXES	(8,120,127)	(1,751,760)
Income tax benefit (provision)		659,188
NET INCOME (LOSS)	(8,120,127)	(1,092,572)
EARNINGS (LOSS) PER SHARE		
Basic and diluted	\$ (.18)	\$ (.03)
Weighted average number of common shares outstanding		
Basic and diluted	46,035,499	40,488,485

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

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	Six Months Ended	
	June 30,	June 30,
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (8,120,127)	\$ (1,092,572)
Adjustments to reconcile net loss to net cash used by operating activity:		
Deferred income taxes		(1,040,126)
Depreciation and amortization	1,068,726	554,058
(Gain) Loss on disposal of equipment		40,451
Share-based compensation	310,545	
Tax benefit related to exercise of employee Stock options		380,938
(Increase) decrease in:		
Accounts receivable	(10,017)	214,156
Inventory	120,354	(644,367)
Other assets	412,834	(11,050)
Increase (decrease) in:		
Accounts payable	(122,789)	134,967
Customer deposits	(70,417)	(10,518)
Accrued expenses	(650,497)	(1,111,883)
NET CASH (USED) IN OPERATING ACTIVITIES	(7,061,388)	(2,585,946)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,150,036)	(1,018,169)
Proceeds from sale of equipment		49,647
Attraction development	(68,666)	(2,629,927)
Purchase of building improvements		(168,032)
NET CASH (USED) IN INVESTING ACTIVITIES	(3,218,702)	(3,766,481)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	413,068	8,276,000
Proceeds from issuance of preferred stock	8,750,000	
Broker commission and fees on private offering	(45,000)	(445,000)
Proceeds from mortgage and loans payable	3,314,583	
Repayment of mortgage and loans payable	(1,555,251)	(112,267)
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,877,400	7,718,733
NET INCREASE IN CASH	597,310	1,366,306
CASH AT BEGINNING OF PERIOD	3,283,331	3,050,721
CASH AT END OF PERIOD	\$ 3,880,641	\$ 4,417,027
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 30,491	\$ 51,484
Income taxes paid	\$	\$
NON CASH TRANSACTIONS:		
Depreciation capitalized as inventory	\$	\$ 72,912

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Accounts receivable paid by services	\$	53,539	\$
Accrued compensation paid by common stock	\$		\$ 100,000

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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.

During June 2006, we entered into a mortgage loan for \$2.5 million with Carolina First Bank for the refinancing of our corporate office building. At the closing of this loan, the outstanding amount of approximately \$1.8 million due on the original mortgage with Bank of Tampa was paid in full.