

DEEP BLUE MARINE, INC.

(DPBM - OTC:PK)

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Recent Price: **\$0.1300**
 Target Price: **\$0.3200**

SPECULATIVE NEUTRAL RATING

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Deep Blue Marine

Underwater Archeology & Recovery of Lost Treasures

Company Overview

Deep Blue Marine, Inc. (OTC PK: DPBM) is engaged in deep water exploration and recovery of important treasures and artifacts worldwide. In the coming season the company will dive on known and permitted wrecks as well as establish exact locations of other known wrecks.

- DPBM has recently brought together some of the world's **premiere researchers, the most advanced, cutting-edge technology** and equipment, and extensively **experienced and expert crew and managers**.
- Of all vessels that sailed the oceans during the **past 1000 years, 20% is still on the seafloor**.
- **One third of the world's gold ever mined** is said to be beneath the oceans from the cargo of sunken ships.
- Gold specie, Silver coins and other **treasures to the value of \$10-15 billion are lying somewhere in the ocean** and DPBM is planning to locate and retrieve it.
- The goal of Deep Blue Marine Inc. is **to dive only those wrecks that carry evidence of substantial gold and silver** and the company believes it can and will do it better than anyone else in this industry.
- The lure of gold drove the European nations to the new world in the 1600s through the 1800s. Of the fleets of treasure vessels that set sail from Caribbean waters to Europe, most of them never made it. **The 1715 fleet, lost almost every ship** and in the years from 1750 to 1800, **Lloyd's of London lost 240-plus ships** in the very waters off the coast of Florida where DPBM will focus their initial efforts.
- Deep Blue Marine Inc. has retained the services of **Jack Haskins in the area of marine research**. Haskins is known as one of the **best historians and researchers in the world**. Haskins has personally **researched and been responsible for more than \$1 billion worth of salvage** that has been pulled from the deep.
- Exact locations of shipwrecks to be pursued are determined by an able crew, using state-of-the-art equipment, some of which are **newly developed proprietary equipment, sidescan sonar, improved magnetometers, satellite imaging, and aerial reconnaissance**.
- Deep Blue Marine Inc. signed an agreement on March 29, 2006 to assist with the recovery of a treasure on a vessel with Spanish origin **carrying a cargo of 16 chests of silver and 4 chests of gold** when she went down. The manifest value in today's values puts the wreck at **more than \$550 million**. The project is **scheduled for completion before the 2006 hurricane season**. (Gold=US\$620/oz Silver=US\$14)
- The recovery contract is to provide assistance to Aqua Gems of the Treasure Coast Inc. and specifies that the state will keep 25% of the salvage, and **Deep Blue Marine will retain 20% (net of the salvage) they recover from the site**.
- **DPBM boasts with a highly talented, skilled, passionate and experienced team of professionals, armed with cutting edge technology**. This coupled with a **novel business plan and strategy**, are the ingredients for success that provides shareholders with a **true numismatic opportunity**. A monetary valuation of Deep Blue **cannot be made with any high degree of certainty** using traditional valuation methods for stocks, since the **visibility of the size, timing and frequency of cashflows** from future wreck salvages are low and no track record is available. **We highlight however, that all investors and portfolio managers of small and microcap securities should strongly consider a stake in this company due to its severely positively skewed payoff profile that is rare in terms of the enormous potential returns relative to the total capital employed**. A holding in DPBM can **provide diversification benefits from a portfolio management standpoint**. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 10-12)

Deep Blue Marine, Incorporated.
 (all figures in Millions)

52 Week Hi/Lo Range	1.01/0.01
Fiscal Year End	Dec-31
Shares Outstanding (4/17/2006)	245.9
Float (approximately)	30.50
Share price (04/17/2006)	0.13
Market Capitalization	32.0
Average Volume (3 months)	NA
Insider Ownership	NA
Institutional Ownership	NA
Enterprise Value	NA
Total Debt	NA
Total Cash	NA

12/31/2005 12/31/2006

	FY2006 E	FY2007 E
Earnings Per Share (EPS)	NA	NA

	FY2006 E	FY2007 E
Book Value (\$/share)		
Total Revenue	NA	NA
Cost of Sales	NA	NA
Gross Profit/Loss	NA	NA
Operating expenditures	NA	NA
Net Loss /Profit	NA	NA
Tax Expense	NA	NA
Net Income	NA	NA

NA = Not applicable/Not Available.
 A = Actual Reported figures E = Estimates

Balance Sheet & Financial Statement Extracts

Current Assets	NA
Current Liabilities	NA
Total Assets	NA
Total Shareholders Deficit	NA
Tax Loss Carryforwards	NA

Capital Structure	
Authorized Common Stock	500 000 000
144 Restricted Stock	215 384 032

See Appendix A-I for Analyst Certification and Important Disclosures.

THE COMPANY

Deep Blue Marine, Inc. (OTC PK:DPBM) is was incorporated in Nevada in 1998. The company is engaged in deep water exploration and recovery of important treasures and artifacts worldwide. In the coming season the company will dive on known and permitted wrecks as well as establish exact locations of other known wrecks.

DPBM is a new company that brings together rapidly developing technology and a wealth of experience in both underwater recovery and business. DPBM works only **thoroughly researched and permitted** (where applicable) **shipwrecks** in responsible ways that address environmental concerns and preserve worthy marine antiquities. The crews of DPBM are highly qualified and have extensive backgrounds. Their areas of experience and expertise include research, salvage operations, marine survey, production of documentaries, all phases of diving, management and marketing of artifacts, and liaison with collectors and auction houses. Deep Blue is built and staffed **by experienced and knowledgeable researchers, salvors, and businessmen and because they have agreements for working known and permitted wrecks.** In addition, the latest technology and equipment are used for determining exact locations, thus facilitating top efficiency in retrieving valuables, causing the least environmental impact, and maximum preservation of archaeological values.

Starting with the best possible research for the acquisition and interpretation of available information, Deep Blue is able to find general locations of notable shipwrecks. Subsequently, decisions are made by the high-profile, expert advisory board regarding which wrecks to pursue. Exact locations are then determined by an able crew, using state-of-the-art equipment and procedures. Recent advances in equipment and technology have lightened the burden of search. In addition to **newly developed proprietary equipment, sidescan sonar, improved magnetometers, satellite imaging, and aerial reconnaissance** are all very helpful in locating objects of interest.

In addition to researching and finding on their own, DPBM has also **made agreements for mutual benefit with other companies that have actually located wrecks of interest.**



BUSINESS PLAN

Extensive and detailed planning is crucial to success. Deep Blue Marine has invested extensively in planning their activities and setting up processes, having formed a coalition of power and expertise. They are **in a rare position to effectively engage their resources in finding and recovering treasures and artifacts from historic shipwrecks.** Besides the finding of a worthy wreck, alternate claims to the property, alliances, timing and planning, preserving nautical heritage, recovery, and disposition are all important.



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DEEP WATER SALVAGE

Deep water salvage is a fascinating business. The process starts firstly with **research performed by historians and archeologists** to identify relevant history and possible locations of valuable wrecks. Secondly a **target site is chosen** and the company will go to what is called a survey area. That area is identified by the information gathered from libraries, ships' manifests, news papers and personal journals kept by captains or rescuers of stranded vessels. **As a ship sinks, tides, wind and currents can carry it several miles before it comes to rest on the bottom.** The purpose of the survey is to move into the general area of loss, and scrutinize the area to locate a scatter trail or debris field. Once a debris field is located, more detailed work is started to survey the site and determine the location of treasure and possible value of treasure and the economic value of the recovery. **If a site proves to be viable, the company will then file an Admiralty claim in federal court** to arrest the wreck and the company then claims ownership of the salvage. At that point the company then brings in the salvage crew and the site is salvaged, weather permitting.

Deep Blue Marine Inc. (DPBM) has identified several historic wreck sites and the company is preparing to survey those sites starting March 6, 2006. The company has already secured a vessel that is going to be used for survey work and has begun with the installation of navigation and proprietary location equipment.

It is estimated that a third of the gold ever mined in the world is lying on the ocean floor in the holds of shipwrecks. As the lure of gold drove the European nations to the new world in the 1600s through the 1800s, vast fleets of treasure vessels gathered in the Caribbean waters and prepared for the voyage home. Most of them never made it. Some fleets, such as the 1715 fleet, lost almost every ship. In the years from 1750 to 1800, Lloyd's of London lost 240-plus ships in these very waters. Some ships carried as much as \$550 million (in today's prices) in gold in their holds. Many sank and took that wealth to the bottom.

As diving techniques improved over the centuries, some were brought up and the values have been there. The vast majority of the ships carrying this great cargo of gold, still rest on the bottom of the ocean. **With new technologies being accessed by Deep Blue Marine Inc. these treasures are about to surface. DPBM is able to find treasure in deeper water, by being able to dive deeper, longer and safer than ever before.** The goal of Deep Blue Marine Inc. (DPBM) is to dive only those wrecks that carry evidence of substantial gold and silver and the company believes it can and will do it better than anyone else in this industry, while remaining committed to the safe and environmentally friendly harvest of ships and cargos from the deep for the enjoyment of this and future generations.

Marine History & Researching Wrecks

After a known wreck has been selected to investigate, at least the general location of the wreck must be determined. The services of highly qualified researchers are invaluable since their expert research and counsel are required to overcome the effects of rumors, legends, historic and scientific inaccuracies, and less-than-accurate interpretations. They examine every imaginable historic and scientific source of information. Evidence of the wreck event can include eyewitness accounts, ships logs, corroborative historical records, navigational charts, and whatever else is available. Sometimes, re-navigation is necessary in considering differences between ancient and modern navigational methods. **Some of the world's foremost researchers are part of the Deep Blue crew.**

Deep Blue Marine Inc. has retained the services of Jack Haskins in the area of marine research. Haskins is known as one of the best historians and researchers in the world. The purpose of having a historian and researcher on the team is to identify location and salvage prior to survey, and also once an unknown wreck is discovered, to be able to identify the wreck. Once a wreck is identified, the company can determine the value of its cargos and make an informed decision as to salvage value. **Haskins has personally researched and been responsible for more than \$1 billion worth of salvage that has been pulled from the deep.** His life has been given over to the study of ship's manifest and captain's logs. He has traveled extensively to Spain and England, and is well versed in maritime history and applicable law and customs. **Haskins is recognized as a Spanish Colonial shipwreck specialist and is credited with the discovery of 7 ships which have contained significant treasure and artifacts, some of which are displayed in museums in the Dominican Republic.** His archival data pin pointed the 1724 Mercury Galleon Tolosa off the Dominican Republic and the 1641 wreck of Nuestra Senora De La Concepcion. He worked with Mel Fisher on the 1733 New Spain Floata lost in the Florida Keys, also the combined New Spain and Tierra Firma Floata, the galleons of the 1715 fleet lost on Florida's Gold Coast, the Senor San Joseph (alias Tollsa) which sank off the shores of Columbia and also a second ship named the Senora San Joseph which sank off the shores of the Dominican Republic.

He is a 30-year member of the American Numismatic Association. His current activities include: working on the 1733 floata, is under contract with NOAA in the Keys National Marine Sanctuary and is contracted as the lead researcher for DPBM. Mr. Haskins brings with him a wealth of knowledge and experience that provides DPBM with a marked advantage in this industry.

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Territorial Claims and Ownership

Assertions of rights to the artifacts and valuables found in shipwrecks are subject to many laws and precedents, and it is in everyone's best interest to establish ahead of time what the boundaries of legitimate claims are. All potential claims must be considered. Detailed records of cargos were kept for many of the subject wrecks, and these records containing descriptions and valuations of cargos are highly prized. Original ownership of cargos is also of great interest **because title to goods may still be in question. The current location of a wreck is very important in terms of possible ownership by states or countries.** This makes possession of established permits and agreements with the countries or states holding sovereignty over the wrecks exceptionally valuable.

The country of origin of the ship is also of interest since in some cases those countries may still have valid claim to or legitimate interest in some of the values or artifacts in the wrecks. These issues highlight the importance of legal counsel and opinions, both in general and as applied to each specific project. There are also other issues that can surface as being significant to projects.

The history of the specific wreck is of interest. Some of the questions are: Has anyone searched for the wreck, and how knowledge of their work may shorten the current efforts. It need be determined if anyone actually attempted to salvage the wreck, or if its value has changed by what has been done. Another key consideration is to establish if another company is competing for the wreck or has the right to find or recover from it.

Alliances

Developing strategic alliances with other companies or political entities to maximize effectiveness in search and recovery are often in the best interest of a project. Permission or agreement with states or countries having sovereignty over wrecks can be a prized reward, but complying with all regulations and treaties and observing territorial waters, contiguous zones, or exclusive economic zones of the various countries involved can present complex negotiations. Most associations with countries or states that define ownership are based on established laws. Nevertheless, other issues are not as clear-cut. Protection from encroachment or piracy can be exceptionally important in some instances, and governments are usually in a position to best offer those protections. In addition, there are many specific details that can best be negotiated amicably when the two parties have a working relationship.

Relationships with other companies that are able to offer paid assistance at times when it is critical to an operation are also important. Safety, weather, and expertise or equipment relating to specific procedures are all issues that can generate the need to contract assistance from related, qualified, associate groups. To this end, DBPM has many helpful friends in the industry and already has a recovery contract to provide assistance to Aqua Gems of the Treasure Coast Inc.

The Right Timing and Planning

Timing is another issue of importance. Weather has a huge impact on searches, and making certain that other considerations have been met to allow operations during windows of favorable weather is a major planning matter. Furthermore, advancing to a specific search site in a timely manner can be critical to acquiring the rights to valuable finds. Detailed planning is also necessary to determine costs in terms of equipment, manpower, and money for all research, search, identification, recovery, conservation, and marketing.

Typically, the recording of events and artifacts by way of audio, video, and manual logging can be rather involved. In all, the logistics, risks, and the technological, ethical, legal, and historical ramifications of all actions must be considered at every turn in the planning and execution of every search and recovery effort.

Preserving Nautical Heritage

Nautical heritage is a used term that presents an impression of a common maritime resource belonging to everyone. There are varying levels of commitment and opposition to this view of things. Conflicting interests and ideas of what is right regarding the handling and use of abandoned, manmade, underwater objects and artifacts are ongoing and will not be completely resolved any time soon. **Disagreements continue over bounds and limits, who has the right to explore shipwrecks, who owns the financial rewards, how and how much of the archaeology is to be preserved, appropriate measures and time limits of respect to be shown the dead, and other issues.** Some believe that the days of what has been called indiscriminate exploitation of wreck sites are largely past, and there has been a substantial movement around the world to more responsibly handle the huge array of marine objects and artifacts. At the extreme is the unrealistic view that the entire underwater territory should be treated as a museum. Realities do not confirm this view. **Recovered artifacts are largely unwanted by museums, or they are often not even used when made available. There is a very limited interest in and economic feasibility to the presence of more museums than already exist. All but a few elite museums face a constant struggle to maintain interest and to fund operations.**

See Appendix A-1 for Analyst Certification and Important Disclosures.

At the opposite end of the ideological spectrum are those who would preserve nothing and would take what quick and easy profits they could from the marine storehouse. Somewhere in between the extremes lies a realistic approach to governance of matters of abandoned marine treasures/underwater cultural heritage. **DPBM uses qualified archaeologists to assure proper care in the treatment of wreck sites.** Sites are photographed and inspected, and protective plans for recording and recovery are initiated. Representative samples of multiple items are made available for study, and other appropriate actions are taken according to conditions and the importance of the wreck and its cargo. Archeologically significant artifacts from shipwrecks are made available to the scientific, archeological, and historical communities for study, and artifacts of irreplaceable archaeological value are handled with special care and are presented for study by highly qualified archaeologists.

Recovery

Factors that affect recovery are depth of water, machinery and equipment, atmospheric conditions and many others. Recovery is more easily effected using experienced commercial divers and smaller boats in shallower waters. Where deeper water is involved, the use of other equipment is necessary. Remotely Operated Vehicles (ROVs) and small submarines are very helpful in locating and retrieving objects. Specialized diving suits even permit divers to descend many hundreds of feet. Other equipment enables the crew to clear debris and safely retrieve items of value and interest. On deck, the items are recorded, preliminarily cleaned, and packed to insure preservation. Recovery is subject to atmospheric conditions, availability of crew and equipment, archaeological interests and guidelines, and environmental concerns. Generally recovery proceeds at a persistent, methodical pace. Safety is the overriding concern, but the crews stay onsite as long as possible.

Disposition

Conservation of artifacts has become a rather structured activity that is performed by technicians and crew. They are cataloged and preserved for further attention once they are taken ashore to more elaborate facilities. After being studied for archaeological value, those items not held for further study are placed for sale or donated to museums. Sales are made through reputable dealers, auction houses, and through other direct and indirect means. The company will carry images and offers to sell various items on its website.

WRECKS & LOCATIONS

Some information behind the reasons why **DPBM** has selected certain general areas for their work is outlined below.

Early Spanish incursions into the Americas allowed them to obtain billions of dollars in silver, gold, gems, and other commodities. Much of the treasure came from Peru, Ecuador and Columbia, where it was loaded onto ships and transported up the west coast to Panama City. At port in Panama City, it was off-loaded and pack-trained across the relatively narrow width (about 40 miles) of what is **now Panama to the east coast port of Porto Belo.** There it was loaded onto ships and carried through the sometimes-storm-ridden Caribbean to Havana, Cuba, the area staging site where the ships were refitted and replenished in preparation for the return trips to Spain.

Goods were also gathered from other ports in South America, and North American treasures were taken to the port cities Vera Cruz and Tampico on the west coast of what is now Mexico and similarly shipped to Spain through the Caribbean. Flotillas left Havana and traveled through the Straits of Florida, north along the coast past the Carolinas, and then east across the Atlantic to Spain.

The uncertainty of weather patterns and the violence of the storms throughout the area posed great peril for the Spanish fleets, as did uncharted shoals. Many lives were lost and many ships laden with treasures went down. **There were three hurricanes that were particularly devastating to Spanish treasure fleets in 1622, 1715, and 1733. Thus created, there is a fertile field for those who can work through the many obstacles to finding and recovering the lost treasure ships.**



Evidence of the wreck event can include eyewitness accounts, ships logs, corroborative historical records, navigational charts, and whatever else is available. Sometimes, re-navigation is necessary in considering differences between ancient and modern navigational methods.

Monumental Success Stories

Dogged determination and patient investors enabled Mel Fisher in the 1980s to find the 17th century Spanish ship Atocha after nearly 16 years of looking and working. He then found the Atocha's sister ship, the Santa Margarita, a short time later. Combined, the two ships were of inestimable value, but an opportunistic State of Florida attempted to commandeer the recovered wealth of the Atocha.

It took years and millions of dollars to establish rightful ownership in the courts. The laws were already very clear, but the attempts to circumvent earlier precedents were costly to Fisher. **However, it has "cleared the water" for others and established some important case law.** Others have had success. Tommy Thompson found the SS Central America, a mid-19th century (1857) paddle-wheel steamer, carrying abundant fruits of the California gold rush and many passengers that went down off South Carolina in a hurricane while on the way from Panama to New York. Thompson, too, had years of legal battles relating to insurance claims and other issues before his share of the treasure was established. At about \$100 million, it was undoubtedly worth the work.

Greg Stemm, John Morris, and crew have navigated their company, Odyssey, toward only those wrecks for which they are certain of having no alternative claims to fight. Their 2003 find of the SS Republic, a 1865 paddle-wheel steamer that went down also in a hurricane en route from New York to New Orleans, has produced a handsome sum of at least \$75 million. They are still working on it and others.

DEEPCAN RESEARCH VESSEL

Deep Blue Marine Inc. signed an agreement to purchase a 62-foot research vessel known as the Deep Scan on March 28, 2006.

The boat was originally built to operate as a stable search and recovery platform for metal objects on the ocean floor. The boat was inspected on June 23, 2005, and any and all items of concern were repaired or replaced. The boat comes completely equipped and ready for service.

An accredited Marine Surveyor valued the vessel at \$390,000 and the replacement cost was estimated at \$950,000.



Information on Specifics of Vessel Equipment:**SEARCH & DETECTION EQUIPMENT:**

Cesium Magnetometers, 3 tow fish trial via 2 outriggers & 1 center deployment system (\$110-150,000 with hydraulic reels, IEC slip rings with 500' of Kevlar 4000lb test soft tow cable hard wired to onboard computers.)

6m/20' pulse type scanning gradiometer for ferrous and non-ferrous metal detection built into the hull. (Largest working discriminating detector in the world custom built for the R/V Deep Scan). After years of development, exclusive software was created to easily view all EM (Electromagnetic, mag and pulse loop detection systems simultaneously on a 43 cm/17inch PC-monitor. Even though this device is valued between \$50,000 and \$80,000, it is really unknown because it is the only one in existence that works and built by a NASA engineer and developed by Harris.)

- 3 small handheld nonferrous metal detectors for under water use.
- 1 large handheld nonferrous metal detector for under water use.
- 1 handheld magnetometer for ferrous metal detection for under water use.

Acoustic Imaging System: Side scan sonar, custom built, custom software, 100khz, displayed on 21" monitors (\$50,000-\$100,000 hardware and software development, IEC slip ring, hydraulic reel with 1000' of Kevlar 4000lb test tow cable).

1 Electro atmospheric noise detection meter.

SALVAGE & RECOVERY EQUIPMENT:

Dive compressors: 4 hydraulic operated low-pressure surface supply breathing systems. (Hookah-type)

1 high pressure hydraulic dive tank compressor.

Built-in diver communication system.

Numerous dive equipment and tanks.

1 20cm/8" dredge, water injected, 360 open orifice nozzle, 1000 gal/min, 100 p.s.i capable of moving over 2000 Gal/min. of fluidized material. (\$10,000-\$20,000 Custom Developed SS Sys coupled to Aux engine.)

Dredge system connected to variable mesh sizing separation screening table located in forward section of vessel for collection of valuables.

Hydraulic operated deflection system.

Deflection and dredge systems were developed and custom built for Aqua Gems (\$10,000).



FINANCIALS

The company has not submitted SEC filings containing financial data, nor has it made meaningful disclosure of financial affairs to shareholders via press releases or other sources. The company has a December 31st year-end date. The absence of financial data has played a role in setting and selection of our investment rating. Based on our ratings and selection criteria companies that have not provided financial information is unable to be classified in a category higher than **SPECULATIVE NEUTRAL RATING**, irrespective of other bullish factors that may influence or justify a higher rating.

Readers should note that we are optimistic about the prospects of success in the DPBM effort and recovery plan set out for the first ship they'll try to salvage. The company claims their evidence point out that it is the ship "**El Salvador**," which was part of two Spanish treasure fleets destroyed by a hurricane in 1750, and that this ship carried gold and silver valued at \$550 million in today's prices. DPBM intends completing this recovery mission before the start of the 2006 hurricane season.

If the full recovery is completed and wealth retrieved to the value of \$550 million from this wreckage site, DPBM will be eligible to 20% of this stated sum or \$110 million (using current gold and silver prices which are in a sustained uptrend.)

Noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

Liquidity and Capital Resources

No information was readily available to enable us to review the cash and cash equivalent position of the company at the time of writing of this report. It is uncertain if the **company has sufficient resources and is covered to conduct its operational plans for the coming year. However we believe** management will manage the existing resources in a prudent fashion, to maximize its search and detection processes and recovery efforts in the best possible way to manage shareholder capital.

RISK FACTORS /CONCERNS

The business model and strategy, and longer term consistency of revenue and income potential, remain uncertain and is not proven. Disclosure of financial and other important information is low and may remain unavailable to the public for the foreseeable future. DPBM is **substantially dependent on the expertise of its management and directors, crew, historians and researchers etc.** the loss of which could materially adversely affect future anticipated results. The company is still considered to be early in **development stage** and revenues generated to date, is negligible. The company may not be able to generate or obtain sufficient funds to operate its business which, could harm results and force the company to curtail or cease plans for expanding operations. There can be **no assurance the company will be successful in its effort to secure additional financing** to support operations that will necessitate achievement of near and medium term goals.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of DPBM shares that would result in demand outstripping supply and result in an upward squeeze in the price given the scant liquidity and daily trading volume.

We caution that historical volume activity on DPBM has been noticeably light and we are unable to determine if trading volumes to will improve in the coming months with any degree of certainty. Major dilution of common stock can occur if the company issues large blocks of common stock or convertible debt is converted/warrants exercised into common stock, that can negatively impact on the value of the shares either theoretically, or if sold outright in the open market. NASD and SEC Regulations covering rules on Penny Stocks apply for DPBM, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

The company faces stiff competition in its efforts to locate shipwrecks and treasures from other rivals. There can be no assurance that the company will be able to achieve a distinction or competitive edge over these competitors through better research and/or its ability to track down the location of wrecks that carry substantial sums of silver and gold using its proprietary methods. Estimates of revenues that can be earned in the future and all forward projections involve variable factors and assumptions, and does hinge to a large degree on the success of its planning, permitting, weather and many other factors that are not within the control of the company such as legislative matters that are unique and complex. Issues regarding ownership of recovered artifacts and treasures can delay monetary gains that can result from finding treasures at shipwreck locations. Legal costs incurred may hurt the interests of shareholders if expensive legal battles occur regarding financial claims for recovered wealth from beneath the oceans or costs associated with territorial claims or ownership relevant to significant finds.

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MANAGEMENT

Wilf Blum – President & CEO

Wilf Blum is not only a successful manager and businessman but also a qualified and experienced diver. He has brought together the Deep Blue team in a focused and synergistic way that has produced this commanding recipe for success.

Ed Krajewski – Operations Manager

Ed has broad experience as a diver and crew manager. He graduated from the Coastal School of Deep Sea Diving in Oakland, CA in 1972 and worked as a deep sea diver in the Indonesia area for a couple of years. When his parents were both killed in an auto accident, he went back home to raise his three younger sisters. During this time, he worked as a commercial diver in New Jersey and certified as an underwater scuba instructor. In 1976 Ed attended U.S. Army Officer Candidate School. He later attained the rank of captain and commanded a Special Forces A-Team in the Army Reserve, a position from which he retired in 1990.

Ed has been an active diver in many areas of the world. He made several trips a year to Ecuador until he found the fabled Drake treasure. He has researched and surveyed wrecks near Virginia over the last few years.

Truman Weatherly – Vice President, Marine Research

Truman is an exceptional diver, cinematographer, and marine researcher. His diving experience extends to the far reaches of the earth in many kinds of salvage operations. As a cinematographer he has provided video footage of underwater salvage operations that have been shown on the Discovery Channel and in many other places.

For the 1600-1800 time period, Truman is considered one of the foremost marine historians and has conducted extensive research data for the Bahamas and Florida areas.

Jim Cross – Salvage Consultant

Jim is owner and operator of Cross Marine Projects Consulting Company. He has many years experience in marine salvage and is highly regarded in the industry. He serves on the governing boards of several important organizations and is certified under numerous environmental and other licensing groups. He is a sought-after consultant to military, government, environmental, and private groups and has performed on major underwater contracts for the U.S. Navy, the U.S. Army, the Bureau of Reclamation, the U.S. Department of the Interior and many other agencies. He has been called on to find and recover many vessels, aircraft, and other objects including several military aircraft. In one search he was required to find an F-16 in a 1,700 square mile search area.

When the Challenger space vehicle went down he and his company were asked to assist in the recovery. Jim's innovative work in advancing technology for underwater survey has greatly improved underwater imaging. He has developed several technologies in the areas of sonar and echo location used for underwater survey and object location.

His ability to recover vessels with minimal damage to both the vessels and the environment has earned him a highly prized reputation. Jim has been called on as an expert witness. He and his company also provided underwater security services during the 1984 Los Angeles Olympics, with security clearances to all venues.

Other Skills/Accomplishments:

- Certified Marine Surveyor.
- Member of A.B.Y.C. (American Boat and Yacht Council).
- Member of the National Fire Protections Association.
- Member of ACMS (Association of Certified Marine Surveyors).
- Charge person (Director) for United States Sailing organization from 1984 to present.
- Current holder of U. S. Coast Guard "Master of Inspected Vessels" operators license with Master of Auxiliary Sail and Master of Uninspected Tow Vessels included.
- Owner/Operator and Instructor of "The Captain's Course" - 1982 to present.
- Expert witness: Fiberglass, Aluminum, and Steel to 60 Tons.

Jack Haskins – Research

Haskins is known as one of the best historians and researchers in the world. The purpose of having a historian and researcher on the team is to identify location and salvage prior to survey, and also once an unknown wreck is discovered, to be able to identify the wreck. Once a wreck is identified, the company can determine the value of its cargos and make an informed decision as to salvage value.

Alan South – Detection & Imaging

Allan has broad experience in scientific and service industries. He is a certified ISO 9000 lead assessor and has a M.S. in organic chemistry. His experience includes positions as Senior Chemist and Corporate Quality Auditor for large companies. He has taught college chemistry as an adjunct faculty member, and his popular book *The Sense of Survival* has been widely circulated. He has also been involved in his own publishing, insulation and mortgage companies.

Allan's duties include working with the scanning and imaging equipment.

Burt Webber – Site Planning & Analysis Consultant

DPBM has retained the services of Burt Webber to perform site analysis and site planning services for salvage recovery.

Webber has a vast knowledge of underwater wreck salvage and has personally made 26 historic shipwreck discoveries and has been involved in numerous recovery operations in many different areas of the world. In 1978 he discovered the *Concepcion*, a Spanish galleon carrying millions of dollars in silver. Webber is known in the salvage industry as one of the most successful salvage divers in the world. He is sought after as a consultant by governments and companies worldwide. Deep Blue Marine Inc. (DPBM) is pleased to have someone of Webber's ability and background on board to give advice and assistance when needed.

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that Deep Blue Marine Inc. is a very interesting speculative play among micro-cap companies offering exposure to the investor on the vast open-ended potential for the recovery and marine artifacts and archeology salvage possibilities that are available today. Despite the major logistic, technical, legal and environmental challenges that characterize the deep water salvage industry, our evaluation of early progress made by this company are very encouraging. The assemblage of key players, world experts, state-of-the-art conventional equipment along with proprietary equipment regarded as trade secret, alliances, and plan of attack are unmatched. These resources, working together, all but guarantee extraordinary success. During this coming season, the company will dive on known and permitted wrecks as well as establish exact locations of other known wrecks.

In the near term the company is focused on proceeding with its initial project to recover a substantial treasure off the coast of Florida of a shipwreck that research indicate is the *El Salvador* which was part of two Spanish treasure fleets destroyed by a hurricane in 1750. This ship carried gold and silver valued at \$550 million in today's prices. DPBM intends completing this recovery mission before the start of the 2006 hurricane season that can yield in the region of \$110 million to Deep Blue.

Both operating and financial risk involved in investing in a young deep water exploration/recovery company are typically high and should be considered by investors. In this case the operational risks associated with uncertainty of the timing, frequency and extent of wealth that will be achieved over time and how many shipwrecks can be successfully located. The depth of experience of the team, management and historians will play a major role in the performance. Costs for conducting searches and recovery can vary and this together with other costs such as legal costs, obtaining permitting can fluctuate or accumulate over time without an offsetting inflow, which can have an adverse effect on profitability or sustainability of the business plan. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path, towards recovering gold and silver treasures from various identified locations that all able to generate revenues and yield results, on a consistent basis to build a profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to DPBM should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for DPBM to see through several targeted exploration projects that once successful can allow broader price discovery can materialize, within the investment community that can unlock the value behind the concept of salvaging the vast amount of lost treasures from the deep.

See Appendix A-I for Analyst Certification and Important Disclosures.

Short term we expect DPBM stock to continue to trade sideways in the low to mid teens, before making an attempt to lunge ahead assuming positive results materialize from the El Salvador project. In the medium term a major risk factor may involve that additional capital raising or stock offering may be needed to continue future projects and fund expansion of existing vessels and equipment to conduct more than one project simultaneously in the same season. Also in the absence of positive results and actual recovery from shipwreck locations, further improvement in the rating of the shares will be restricted.

Despite this risk, we believe that the company will be able to continue its operational plans for at least 12 months given its present level of capital resources. DPBM is a Pink Sheet listed company and there has not been any disclosure of financial statements released to shareholders that allow us insight necessary to complete a qualitative and quantitative review of the company. Based on the absence of this information we have decided to initiate our coverage on the security with a speculatively neutral rating. We highlight to investors that we require financial disclosure for all issues we cover as one of the criteria necessary in order to be classified in our higher rating categories (Speculative Positive Rating or Strong Speculative Buy ratings). Conditions necessary for us to raise our rating for DPBM into that category would require further evidence of economic benefits that will flow to DPBM from the El Salvador project and/or success on following projects, SEC filings containing a discussion of operations, accompanied by financial statements or a press release containing key financial variables.

Based on recent news and developments and the results of the 7-day survey we believe that the probabilities of success on the initial project is high. Under the assumption that any additional capital raising activity is well-managed and expecting revenue in 2006, positive cash flow from operations to be generated in FY 2006 as more progress is made to launch and achieve treasure finds on additional projects at new shipwreck locations, we are of the opinion that DPBM stock has tremendous upside potential.

Given the estimated projection of the El Salvador treasure, we are of the opinion that revenue potential of \$110 million is achievable (albeit uncertain) for FY 2006. Due to lack of financial information and the nature of the business of Deep Blue Marine we are unable to use traditional valuation methods to evaluate the current market capitalization and pricing of DPBM. Traditional methods include Discounted Cash Flow (DCF) models, PE Models based on future earnings, relative PE methodologies, Price to Sales, Price to Book ratios and other commonly used methods and also considering peer comparatives, which are of little practical benefit in this case.

Since none of the above methods can assist us we have decided to employ a different approach which is subjective to a large degree as it incorporates probability assumptions to arrive at a future expected share price under 2 scenarios. The first scenario assumes that during the coming season no treasure is found and that the status quo is maintained for current DPBM share price activity. We assign a 33.3% probability of failure to derive any economic benefit from the initial project. The second scenario uses the El Salvador payoff estimate (of \$110 million as set out in the table below, which is the 20% of the treasure wealth that can be retained by DPBM if the salvage activity yields the expected results. We assign a 66.6% probability of this event transpiring. We then proceed to use these two evens to calculate $E(S_T)$ which is the expected value of the price of DPBM at time T, where T=0 is today's date and $E(S_T)$ is calculated for T=0.5 years (6 months) from today's date.

Salvage / Recovery Wealth	550.00		
20% Retained by Deep Blue Marine	110.00		
Maximum Operating & Other expenses estimate	2.50		
Net Operating Income	107.50		
Present Value @ 15% (6 months)	100.24		(T=0.5 years)
Shares Issued	245.88		
\$ Value/Share	El Salvador Find	0.408	probability 0.667
\$ Value/Share	Status Quo	0.130	probability 0.333
Expected Value $E(S_T)$		0.32	

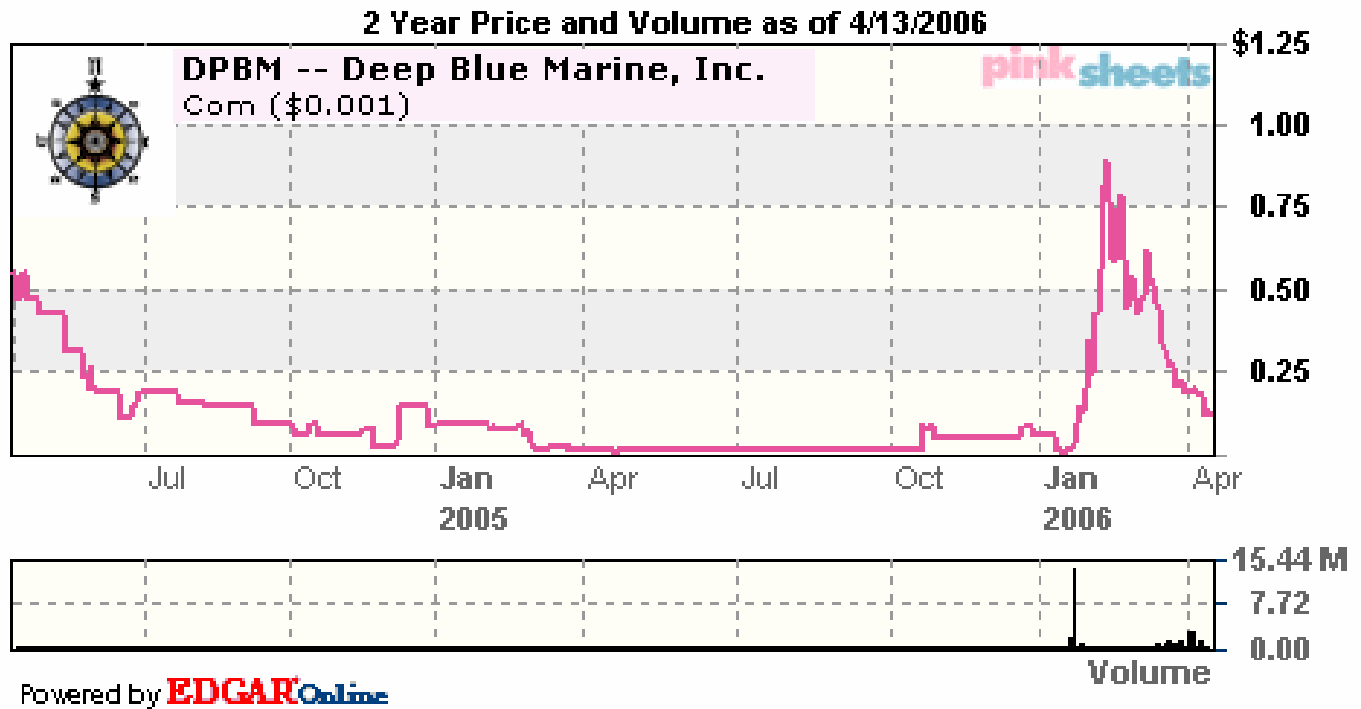
We compute a value after assuming maximum operating and other costs associated with recovery efforts of \$2.5 million on the initial project and also using a discount rate of 15% that is derived from the beta measure and risk premium (SEE TABLE ABOVE). This process yields a result of 32c which is our mathematical estimate of the value of DPBM under these assumptions. Given these calculations and our bottom up analysis which is more qualitative in nature, we set a 12 month target price for the security of \$0.32.

We HIGHLIGHT to the reader that this forecast is made under the above assumptions which are simplistic in nature and assigns a high probability of success to the El Salvador project. Our expected value calculation also assumes, perhaps too heuristically, that the stock price will remain at present levels (status quo) is maintained if no success is achieved during this coming season.

Moreover, we believe that the present market for DPBM shares is far from efficient, does not fully reflect the leverage possible to shareholders if the company is able to use its proprietary technology to find locations that has previously been overlooked or remain unfound and retrieving lost treasures. From this standpoint the upside is unlimited if several projects all yield multi-million dollar treasures. Such blue sky possibility it is easily conceivable that current market capitalization of DPBM at roughly \$30 million can be propelled to several hundred million dollars within the space of a few exploration and recovery seasons. We will continue to monitor the progress and results of DPBM with great interest.

Under these assumptions we initiate coverage on DPBM with a SPECULATIVE neutral rating. Risk to our recommendation include amongst other: failure of new projects to come onstream by scheduled dates due to technical or other difficulties or weather related delays,, failure to obtain the necessary permits to conduct search activities or rights to treasures of the shipwreck, high exploration, salvage, research, diving and other unforeseen large expenses that pose risk to fast and rapid erosion of existing liquidity, adverse regulatory or court rulings in the event that ownership and rights to a successful recovery of a treasure is disputed. Competition by other rival companies that is faster to locations and able to obtain rights to recovery efforts ahead of Deep Blue , any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

We would caution that given the size of the company (microcap) and risks involved, overall we advise positions be limited below 3% of the client's total portfolio size.

**ANALYST CERTIFICATIONS****APPENDIX-A1**

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report. Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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