



Coda Octopus Group, Inc.

Annual Report

November 1, 2015–October 31, 2016

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Symbol: CDOCD (Note that the last “D” is scheduled to be removed on February 8, 2017, which is the expiration of the 20-day waiting period from the date of completion of the reverse stock split discussed in this report)

SIC Code: 3812-Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments

Fiscal Year: 10/31

January 31, 2017

We previously were a shell company. Therefore, the exemption offered pursuant to Rule 144 is not currently available. Anyone who purchased securities directly or indirectly from us or any of our affiliates in a transaction or chain of transactions not involving a public offering cannot currently sell such securities in an open market transaction. Sales under Rule 144 may be made commencing one year after the date that we file with the Securities Exchange Commission a Form 10 or similar disclosure document. We intend to file such disclosure document as soon as possible.

OUR GROUP



Coda Octopus Group, Inc.



Forward-Looking Statements

This report contains statements that do not relate to historical or current facts, but are “forward looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to future events or trends, our future prospects and proposed new products, services, developments, or business strategies, among other things. These statements can generally (although not always) be identified by their use of terms and phrases such as anticipate, appear, believe, could, would, estimate, expect, indicate, intend, may, plan, predict, project, pursue, will, continue, and other similar terms and phrases, as well as the use of the future tense.

Examples of forward looking statements in this report include, but are not limited to, the following categories of expectations about:

- customer demand for our products and market prices;
- the outcome of our ongoing research and developments efforts relating to our products including our patented real time 3D solutions.
- general economic conditions;
- our reliance on a few customers for substantially all of our sales;
- the intensity of competition;
- our ability to collect outstanding receivables;
- the amount of liquidity available at reasonable rates or at all for ongoing capital needs;
- our ability to raise additional capital if necessary to execute our business plan;
- our ability to attract and retain management, and to integrate and maintain technical information and management information systems;
- the outcome of legal proceedings affecting our business; and
- our insurance coverage being adequate to cover the potential risks and liabilities faced by our business.

Actual results could differ materially from those expressed or implied in our forward looking statements. Our future financial condition and results of operations, as well as any forward looking statements, are subject to change and to inherent known and unknown risks and uncertainties. You should not assume at any point in the future that the forward looking statements in this report are still valid. We do not intend, and undertake no obligation, to update our forward looking statements to reflect future events or circumstances, except as required by law.

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Part A: General Company Information

Item 1: The exact name of the issuer and its predecessor (if any)

The exact name of the Issuer is Coda Octopus Group, Inc.

Its predecessor is The Panda Project, Inc.

Item 2: The address of the issuer's principal executive offices

The address of the issuer's principal executive office is:

4020 Kidron Road
Suite #4
Lakeland
Florida 33811
Phone: + 1 801 973 9136
Fax: + 1 801 973 9285
Email: info@codaoctopusgroup.com

Item 3: Jurisdiction and date of incorporation.

Coda Octopus Group, Inc., is a Delaware corporation incorporated on July 13, 2004.

Part B: Share Structure

Item 4: Title and class of securities outstanding

Trading symbol: CDOCD (Note that the last "D" is scheduled to be removed on February 8, 2017, which is the expiration of the 20-day waiting period from the date of completion of the reverse stock split discussed below)

Securities outstanding: Common Stock (See Item 16.D (Subsequent Events) for current information which affects the information on the Common Stock).

CUSIP: 19188U 206.

Item 5: Par or Stated Value.

Provide the par or stated value for each class of outstanding securities.

The Par value of Common Stock is \$.001 per share

Item 6: The number of shares or total amount of the securities outstanding for each class of securities authorized

In answering this item, provide the information below for each class of securities authorized.

Please provide this information (i) as of the end of the issuer's most recent fiscal quarter and (ii) as of the end of the issuer's last two fiscal years.

Common Stock

(i) Period end date:	October 31,2016	October 31,2015
(ii) Number of shares authorized;	150,000,000	150,000,000
(iii) Number of shares outstanding*);	9,093,099	6,715,658
(iv) Freely tradable shares (public float)*);	2,852,536	2,852,536
(v) Total number of shareholders of record	292	286

*) The numbers of issued and outstanding shares and freely tradable shares have been adjusted retroactively to account for a 1 for 14 reverse stock split that was completed on January 11, 2017. These numbers are subject to further adjustment due to rounding up of fractional shares. Item 16.D ("Subsequent Event") contains information on the reverse stock split.

The number of beneficial shareholders owning at least 100 shares exceeds 50.

Series A Preferred Stock

(i) Period end date:	October 31, 2016	October 31, 2015
(ii) Number of shares authorized	None	5,000,000
(iii) Number of shares outstanding (See Note 6 to Financials)	-0-	200
(iv) Freely tradable shares (public float)	-0-	-0-
(v) Total number of beneficial shareholders	-0-	1
(vi) Total number of shareholders of record	-0-	1

Series C Preferred Stock*

(i) Period end date:	October 31, 2016	October 31, 2015
(ii) Number of shares authorized	5,000,000	5,000,000
(iii) Number of shares outstanding (See Item pertaining to the Series C Stock contained in this table)	1,100	1,100

(i) Period end date:	October 31, 2016	October 31, 2015
(iv) Freely tradable shares (public float)	-0-	-0-
(v) Total number of beneficial shareholders	1	1
(vi) Total number of shareholders of record	1	1

* All shares of Series C Preferred Stock were redeemed on December 31, 2016 and no such shares are outstanding as of the date hereof. The redeemed shares have been cancelled. See Item 16.D (Subsequent Events) for further material information on the Series C Preferred Stock.

Item 7: The name and address of transfer agent

Olde Monmouth Stock Transfer Co., Inc.
200 Memorial Parkway
Atlantic Highlands
New Jersey 07716
Phone: +1 732 872-2727
Fax: +1 732 872-2728
www.oldemonmouth.com

Our transfer agent is registered under the Securities Exchange Act 1934.

Part C: Business Information

Item 8: The nature of our business

A. Business Development

Coda Octopus Group, Inc. (“Coda,” “the Company,” or “we”) designs and manufactures patented real time 3D sonar solutions and other leading products for sale to the subsea, defense, mining and marine sciences markets, among others. In addition, we supply, through our marine engineering businesses, services to prime defense contractors.

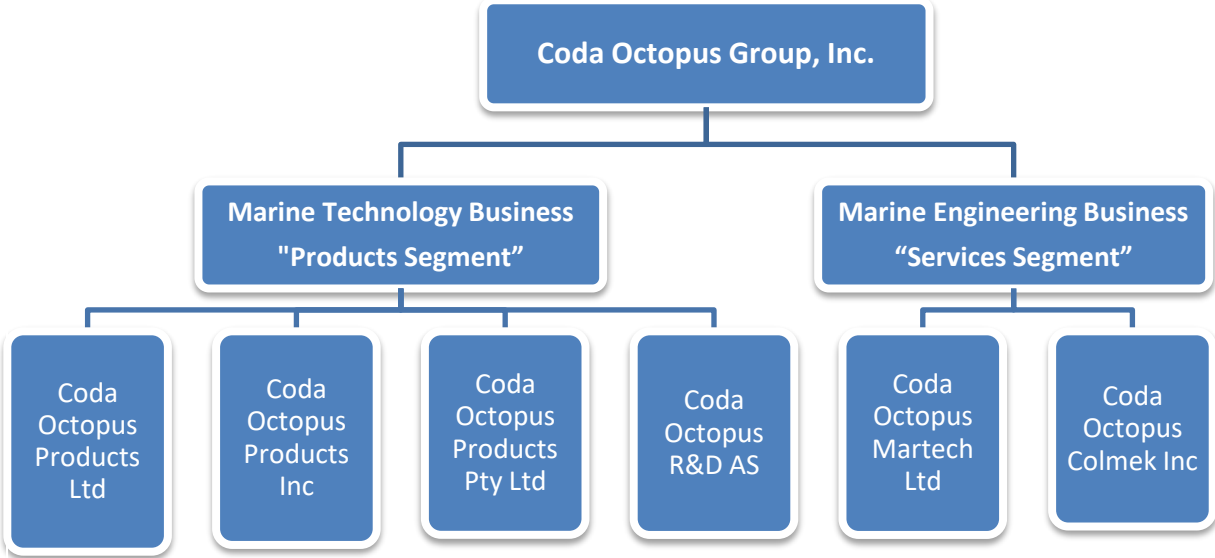
We operate through two operating business segments: Marine Technology Business (“Products” segment) and Marine Engineering Business (“Services” segment). Our products are used primarily in the underwater construction market, offshore oil and gas and wind energy industry, and in the complex dredging, port and harbor security, mining and marine sciences sectors. Our customers include service providers to major oil and gas companies, law enforcement agencies, ports, mining companies, defense companies, universities and research and development institutions.

We supply our marine engineering services mainly to prime defense contractors. For over 20 years, through our Services Segment, we have been supporting some significant defense programs that allow us to supply, upgrade and maintain proprietary parts to these programs on an ongoing basis.

Our subsea marine technology products are sold through our three wholly owned subsidiaries: Coda Octopus Products, Inc. (USA.), Coda Octopus Products Limited (United Kingdom), and Coda Octopus Products Pty Limited

(Australia) and through our appointed agents globally. Our marine engineering business services are provided through our wholly owned subsidiaries, Coda Octopus Colmek, Inc. (“Colmek”) based in Salt Lake City, Utah, and Coda Octopus Martech Limited (“Martech”) based in the United Kingdom.

Our corporate structure is as follows:



Corporate History

The Company began as Coda Technologies Ltd (now operating under the name of Coda Octopus Products Limited), a UK corporation which was formed in 1994 as a start-up company with its origins as a research group at Herriot-Watt University, Edinburgh, United Kingdom. Initially, its operations consisted primarily of developing software for subsea mapping and visualization using sidescan sonar, a technology widely used in commercial offshore geophysical survey and naval mine-hunting to detect objects on, and textures of, the surface of the seabed.

In June 2002, we acquired by way of a merger Octopus Marine Systems Ltd, a UK corporation, and changed our name from Coda Technologies Ltd to Coda Octopus Ltd. At the time of its acquisition, Octopus Marine Systems was producing geophysical products broadly similar to those of Coda, but targeted at the less sophisticated, easy-to-use, “work-horse” market. It was also finalizing the development of a new motion sensing device (the “F180”), which was to be employed aboard vessels conducting underwater surveys to correct sonar measurement by providing precise positioning and compensation for vessel motion.

In December 2002, Coda Octopus Ltd acquired OmniTech AS, a Norwegian company, which became a wholly-owned subsidiary of the Company and now operates under the name Coda Octopus R&D AS. Before we acquired OmniTech, it had been engaged for over ten years in developing revolutionary sonar imaging and visualization technology to produce three-dimensional underwater images for use in the subsea activities such as imaging and construction. Now marketed by us under the product name “Echoscope®”, this technology is unique in that it generates real time 3D images in low or zero visibility conditions. This technology has been patented in a number of jurisdictions, including the USA. This technology, which continues to be developed by our Research and Development team in the UK and

Norway, allowed the Company to start to expand the original focus on hydrographic and geophysical survey to include the high end sonar market. At the inception of the Marine Technology Business our revenues were generated solely from our geophysical software product. We added the F180 series in 2002 and our revenues were split over these two products. With the addition of our real time 3D products, our revenues are now mainly generated from this suite of products and associated services.

On July 13, 2004, pursuant to the terms of a share exchange agreement between The Panda Project, Inc., a Florida corporation, and a now defunct entity affiliated with Coda Octopus Ltd. (“Coda Parent”), Panda acquired the shares of Coda Octopus Limited, a UK corporation and wholly-owned subsidiary of Coda Parent, in consideration for the issuance of a total of 1,432,143 shares of common stock to Coda Parent and other shareholders of Coda Octopus Limited. The shares issued represented approximately 90.9% of the issued and outstanding shares of Panda. The share exchange was accounted for as a reverse acquisition of Panda by Coda. Subsequently, Panda was reincorporated in Delaware and changed its name to Coda Octopus Group, Inc. This number is the post-stock split number. See Item 16.D (Subsequent Events) which provides material information on a reverse stock split effected after the end of the FY2016 period.

In June 2006, we acquired a design and engineering company, Martech Systems (Weymouth) Ltd (“Martech”), which provides bespoke engineering solutions in the fields of electronic data acquisition, transmission and recording, and which has links into our existing markets. Martech are suppliers to prime defense engineering companies. This Company changed its name to Coda Octopus Martech Limited in December 2008.

In April 2007, we acquired Colmek (then Miller & Hilton d/b/a Colmek), a custom engineering service provider of defense engineering to prime contractors. Colmek has been supporting a number of defense programs since the early 1990’s. Specifically, it supplies proprietary parts into these programs including providing upgrades to such parts to address either obsolescence issues or advancement in technology. This Company changed its name to Coda Octopus Colmek Inc. in December 2008.

Reverse Stock split

On January 11, 2017, the Company effected a one for fourteen (1 for 14) reverse stock split of the Company’s issued and outstanding common stock. The total number of common shares that Coda is authorized to issue remains at 150,000,000. As of January 11, 2017, there were 127,415,895 shares of Coda’s common stock outstanding. Effecting the 1 for 14 reverse split reduced that number to approximately 9,101,099 (this number may be further adjusted for rounding).

The reverse stock split will also affect the number of shares issuable upon conversion of the Senior Secured Convertible Debentures (discussed below). In connection with the reverse stock split, the CUSIP number for the common stock was changed to 19188U 206.

OTCQX

The Company’s securities qualified for trading on the OTCQX Markets and commenced such trading on January 19, 2017.

Litigation and legal proceedings

None

B. Our Business

Our SIC Code is 3812 – Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments.

Research and Development

During the fiscal years ended 2015 and 2016 we spent \$1M per year on developing our technology and we expect this to increase further in this current year as we are investing significantly in the technological advancement of our real time 3D sonar technology. This investment will be in bringing in new electronic engineering skills and incurring significant non-recurring engineering costs (NRE) for prototyping new real time 3D products and motion sensing products. Our goal will be to bring more competitively priced and technologically advanced products in this range to the market in the fiscal years 2017 and 2018. The new products will increase the number of markets in which our technology has application. As part of this, we have launched in January 2017 a new sonar which is a multiple “projector” system which provides a wider field of view (90x40) for imaging and visualization. This considerably opens the market of bathymetry survey. This new sonar is branded under the name of “Echoscope® XD”. This development is also retrofittable on existing systems we have and therefore existing customers can upgrade their systems to include this new capability. More information can be found on our website at www.codaoctopus.com.

Notwithstanding our stated goals above, these are complex products and we can give no assurance that we will be successful in the stated goals. Moreover, we may incur significant research expenditures without realizing viable products.

Government Regulation

Because of the nature of some of our products, they may be subject to United States and other jurisdictions’ export control regimes and may be exported outside these jurisdictions only with the required level of export license or through an export license exception or general export authorization / license.

In addition, as a provider for the US Government, we may be subject to numerous laws and regulations relating to the award, administration and performance of US Government contracts, including the False Claims Act. Non-compliance found by any one agency could result in fines, penalties, debarment, or suspension from receiving additional contracts with all US Government agencies. Given our dependence on US Government business, suspension or debarment could have a material adverse effect on our business and results of operations.

Employees

As of the date hereof, we employ worldwide approximately 100 people, of which 11 hold management positions. A large majority of our employees have a background in science, technology and engineering, with a substantial part being educated to degree and PhD level. None of our employees are members of any union, and we have not experienced organized labor difficulties in the past.

Item 9: The nature of products and services offered

Marine Technology Business (“Products Segment”)

Our Marine Technology Business sells proprietary marine products in a number of worldwide market segments:

- Commercial marine geophysical survey;
- Oil & gas;
- Energy & renewables;
- Underwater security, law enforcement and naval operations;
- Underwater construction (asset placements, block placements, mattress placement, cable and pipe lay inspection and the like);
- Environmental Applications (example mammal research; natural gas seeps; habitat assessment; fisheries); and
- Salvage and decommissioning.

In the commercial marine geophysical survey sector, our products include geophysical data acquisition systems, analysis software and motion detection equipment that are used primarily by survey companies, research institutions and salvage companies.

We believe we possess an important and unique sonar technology, which is patented, and which gives us a significant advantage over our competitors in the market sectors where real time visualization is key and/or low or zero visibility conditions prevail.

Our product range includes products based on our patented Echoscope® in combination with our proprietary software which also includes patented techniques for rendering and tracking. We believe that our products are revolutionizing the sonar market, particularly in real time data acquisition, and subsea visualization in low or zero visibility conditions. This patented technology is the result of more than 20 years of research and development by our subsidiary, Coda Octopus R&D AS (CORDAS), Norway, which we acquired in 2002, and our software development team based in the UK. Our R&D Team in Norway is focused on the hardware component of our technology whereas our R&D Team in Edinburgh is focused on the accompanying software for this technology.

Since the acquisition of CORDAS, we have significantly advanced our research and development with respect to both hardware and software components and have filed further patents. We have also brought to market our third generation of the Echoscope® and the CodaOctopus Underwater Inspection System (UIS) as well as new derivative products, such as our forward-looking sonar, Dimension® and our Echoscope C500 (a smaller and lighter variant of the Echoscope®).

We are focusing our research and development resources and budget on developing our fourth generation of real time 3D solutions for various market applications and varying price points. We believe this strategy will help to standardize real time 3D solutions in the subsea market and grow the number of applications of our technology.

We have also introduced to the market the capabilities of real time 3D sonars. This technology is being adopted for many oil & gas, energy, subsea asset placements (blocks, mattresses and other installations), decommissioning and leak identification projects. Most of these projects require real time volumetric visualization.

A series of trials by independent experts and operators in the marine / subsea market have validated our longstanding position that the Echoscope® performance exceeds that of the current standard industry tools (such as the multi-beam sonar) in a number of key applications and provides unparalleled image resolution and beam density. We believe that these capabilities combined with our unique real time visualization advantage, our volumetric data acquisition capability and ability to measure things in real time combined with the further technological advances currently being developed, place the Echoscope® in a position to become the sonar of choice for many underwater applications in the future.

Moreover, many users in complex operations such as underwater construction are reporting significant time savings, and health and safety benefits, which allow them to out-perform their competitors. We believe that our real time 3D solutions including the Echoscope®, which is being referred to by one of our significant customers as “[their] underwater eyes”, are making progress in shifting the conservative approach of the sonar market. Our technology is also used for bespoke and complex underwater construction that requires real time visualization. We believe that our real time 3D solutions are now being viewed as the products of choice in many complex underwater operations where real time visualization is critical. We further believe that our next generation of the real time 3D solutions will become the tools of choice for a much greater number of underwater applications through improved efficiency in work flow process presented by real time visualization capabilities.

We believe that our patented technology is the only commercially available sonar that can provide true real-time 3D volumetric imaging data underwater even in the most challenging zero visibility conditions. This unique capability provides unparalleled underwater scene awareness in similarly high frame rates as cameras and without the reliance of complex and costly positioning and motion reference units or the need for costly post processing of the underwater data acquired. The resultant scene data can be used for multiple tasks simultaneously including object detection and avoidance in true 3D, complex scene mapping and augmented reality 3D workspace imaging combining the real-time 3D data with 3D models, together providing real-time decision making and assessment.

The Echoscope® has a wide range of applications including:

- inspection of harbor walls;
- inspection of ship hulls;
- inspection of bridge pilings;
- block placements (in the context of breakwater construction)
- subsea asset placements including landings

- deep sea mining
- cable laying, cable pull in operations
- inspection of offshore installations such as gas and oil rigs and wind turbines;
- Remotely Operated Vehicle (ROV) navigation (obstacle avoidance);
- Autonomous Underwater Vehicle (AUV) navigation and target recognition (obstacle avoidance);
- construction - pipeline touchdown placement and inspection;
- obstacle avoidance navigation;
- bathymetry (measurement of water depth to create 3D terrain models);
- managing underwater construction tasks;
- underwater intruder detection;
- contraband detection;
- locating and identifying objects undersea, including mines;
- detection and study of individual species in real time 3D (fish, whales etc.);
- oil and gas leak detection;
- fish school detection and analysis;
- diver tracking and guidance;
- underwater archaeological and salvage site mapping;
- decommissioning;
- offshore renewable energy – cable laying and burial and pull-in;
- marine salvage operations;
- harbor construction – concrete armoring; and
- unexploded ordinances survey and intervention.

Within these applications, the technology can essentially provide real time 3D visualization of static scenes or moving objects from either a static location or a dynamically moving platform vessel (Autonomous Underwater Vehicle (“AUV”) or Remotely Operated Vehicle (“ROV”)). Conventional sonars are capable of producing maps of static scenes only.

The Echoscope® technology is protected by patents, including a number of complementary patents such as a patent which covers our visualization methodology and our rendering of real time 3D images. For example, one of our recently awarded patents provides for a new method of using multiple sonar images to produce in real-time 3D a

highly detailed image with sharply defined edges while intelligently discarding “noise” in the image produced by (for example) passing fish or floating debris.

We market the Echoscope® both as a stand-alone sonar device and as a fully integrated system, marketed under the name “CodaOctopus UIS (Underwater Inspection System)”. The latter is specifically aimed at the port security market and has been adopted by a significant number of ports in the United States. Until recently, we have not had any success with foreign ports. However, in 2015 we introduced the system in one East Asian port where it is now on a program of adoption and where it will be used for, among other applications, salvage and port and harbor inspection.

Due to the price point for our real time 3D solutions, we offer these for rent. The equipment is typically supplied with Echoscope® engineering (operator) services. The rental option represents an increasingly important market for us and also provides access to the technology to a broader range of users.

Products

Our products are marketed under the “CodaOctopus” brand and consist of three main product lines:

Real Time 3D Sonar includes our unique and patented real time 3D sonars and cutting edge software (including patented techniques for rendering and tracking algorithms) that we believe is shaping the future of subsea operations.

Data Acquisition Products includes integrated hardware acquisition devices that feature rich post-processing software for all levels of geophysical survey work

Motion Sensing Products consists of a range of GPS-aided precision attitude and positioning systems and post-processing software for all types of marine survey and positioning work.

Real Time 3D Sonar

We offer four products within the real time 3D sonar: the Echoscope®, the Echoscope® C500 (launched in 2014), the Dimension® (launched in 2013) and the CodaOctopus Underwater Inspections System.

Echoscope®

We believe that our real-time 3D imaging sonar technology represents the Company’s most promising area for growth in the medium term. Echoscope®, developed over a period of more than 20 years, is a unique, patented technology generating high resolution 3D images of the underwater environment in low or zero visibility conditions in real time. For each sonar ping that is emitted by the Echoscope®, it receives 16,384 pieces of information back. Existing multibeam sonar systems that are currently in use receive back approximately 256 pieces of information for each sonar ping. This means that the probability of finding an underwater target/object is substantially greater with the Echoscope® than the conventional sonar equipment (such as multibeam or other imaging sonars).

Our current Echoscope® measures approximately 15x11.8x6.3 inches and connects to a laptop with gaming specifications or similar hardware configuration required to handle the volume of data generated by our sonar.

We are unaware of any other product with the capabilities of the Echoscope®. The recent heightened awareness of terrorist attacks has resulted in a demand for practical, effective and rapid methods of detecting potential threats (such as explosives in harbors or on ship hulls). We believe that our real time 3D solutions are ideally suited for this task, as these provide highly detailed 3D images in real time including in difficult sea conditions where there is low or zero visibility.

The Echoscope® systems will sometimes require additional equipment to form a complete solution allowing us to leverage existing products and services, such as motion sensors and imaging processing software, into a wider market. This offers further opportunity for other products from the portfolio, such as our F180® positioning systems (Motion Sensing Product), discussed below.

Our Software development capability is an important part of the success we have achieved to date with our real time 3D solutions and our strategy to maintain our lead in designing, manufacturing and selling real time 3D solutions. Our real time 3D solutions are sold with Coda Octopus proprietary top end software, Underwater Survey Explorer™ (“USE”), and Vantage or Construction Monitoring System (“CMS”). Our Software Package is feature rich and includes patented techniques in a number of our modules. In general our Software Package contains significant capabilities that are designed to address subsea challenges by application particularly in the context of a dynamic subsea setting (as opposed to a static mapping of the seabed as is typical for conventional sonar technology). Some of our unique features include:

Feature Description	Functionality
Real Time Measurements	important for many types of subsea operations such as block or asset placements or aiding diving operations;
Models + Software Module	allows the user to import existing models and engineering drawings into the real time subsea environment
Edge Detection Algorithm	allows the user to superimpose an edge to easily identify a subsea target
Rendering a Noise Free Image	allows for a crisp, clear and high resolution photo-like image without any processing (which would be required for conventional sonars)
Tracking Algorithm	Algorithm is used to track known objects within the real time 3D Data. This is currently utilized in our Construction Monitoring Software Package (see below)

The Echoscope® and CodaOctopus Construction Monitoring Software (CMS) Software have important applications for breakwater construction. Our CMS package has been recently updated to include patented algorithms for tracking and placement of single layer armor blocks used in a breakwater construction.

The CodaOctopus solution is one of two preferred solutions for breakwater construction and increasingly it is becoming the preferred solution for subsea block placements in breakwater solutions because it allows the crane operator to visualize the blocks while they are being placed in real-time. The CodaOctopus solution has significantly simplified and made safer this area of the workflow process in breakwater construction.

We do not believe that this important capability along with real-time visualization and monitoring of the construction site including previously laid blocks is possible with competing solutions. In addition, the feature rich software package (CMS) which allows the complete workflow for breakwater construction to be planned within the software, greatly reduces risks and time to the project and improves the quality of project deliverables. The patented tracking algorithms that have recently been enhanced and strengthened to allow opportunity for similar applications involving placing known objects or structures underwater for other applications as well.

Dimension®

This product was launched in 2013. Designed for the remotely operated underwater vehicle (“ROV”) market, the Dimension® real time 3D forward looking sonar with CodaOctopus Vantage software (“Vantage”) offers a step-change view to ROV pilots. With a user-selectable quad-view of the scene in front of the ROV, the pilot can maneuver, navigate and monitor with confidence during zero visibility conditions.

Based on our patented Echoscope® technology and our Vantage software, Dimension® provides unparalleled real-time visualization for subsea vehicle applications. Designed for a wide range of ROVs, Dimension® is a unique, real-time 3D sonar that transforms ROV underwater operations.

Using the Vantage software suite and advanced beam forming techniques, the Dimension® sonar provides the ROV pilot with a unique quad-view for safe navigation and obstacle avoidance purposes. The Vantage quad-view features a conventional plan-view, commonly provided by scanning sonars, along with three additional and separate real-time perspectives of the subsea environment.

Echoscope® C500 (“C500”)

The C500 was launched in 2014 and is based on our patented Echoscope® technology and delivers real-time 3D sonar capability in a smaller, lighter, ruggedized form factor with reduced power requirements. It is suitable for ROV and autonomous underwater vehicle (“AUV”) based applications as well as vessel deployments.

Fully integrated with our powerful Underwater Survey Explorer software, the C500 can be used with the full range of functionality available including the latest Models+ software module allowing dynamic control of sonar with augmented 3D models in the 3D Workspace. The C500 allows the acquisition of full real-time 3D data in a time efficient manner.

As a result of the reduced form factor, reduced power consumption requirements and price point, this new product opens new markets for our real time 3D solutions.

Software Products

All our sonars are sold with one of three proprietary software applications, Underwater Survey Explorer, Vantage or our Construction Monitoring System (CMS). Our Software packages are critical to the usability of our real time 3D sonar solutions. Our software applications are feature rich and are uniquely driven to provide complete functionality in the live environment without the need to perform post processing and analysis of the data to produce results. There are a number of unique capabilities (some of which are described above).

Data Acquisition

We started our business in 1994 designing and developing the CodaOctopus GeoSurvey software package. For over a decade our GeoSurvey™ has been an industry leading software package on the market for data acquisition and interpretation and provides feature rich solutions and productivity enhancing tools for the most exacting survey requirements. Designed specifically for side-scan and sub-bottom data acquisition, CodaOctopus GeoSurvey has been purchased by numerous leading survey companies throughout the world. This product range includes:

CodaOctopus GeoSurvey Acquisition Products

These consist of a range of hardware and software solutions for field acquisition of sidescan sonar and sub-bottom profiler, which includes analogue and digital interfaces compatible with all geophysical survey systems. This is our original product range that includes the following products:

DA4G - 500, Sidescan sonar and sub-bottom profiler simultaneously

DA4G - 1000, Sidescan sonar and sub-bottom profiler separately

DA4G - 2000, Sidescan sonar or sub-bottom profiler

CodaOctopus GeoSurvey Productivity Suite

This consists of an integrated suite of software that automates the tasks of analyzing, annotating and mosaicing complex data sets, thus ensuring faster and more precise results.

CodaOctopus Instruments

These consist of simple, solid and robust solutions for sidescan sonar and sub-bottom profilers. Used throughout the world by leading survey companies, navies and academic organizations, CodaOctopus instruments are ideal where minimal training and simple installation and set-up is paramount. Coupled with intuitive but powerful post processing software, the Octopus range meets the requirements of survey applications from the smallest inshore survey, rapid deployment naval reconnaissance to large scale site investigations. This product range includes the following:

The DA4G™ series of acquisition systems which provide high quality, robust and reliable data acquisition from the latest digital and analogue sidescan sonar and sub-bottom profiler sensors.

DA4G™ is the 4th generation of our successful DA series and is built on twenty years of knowledge, experience and innovation in supplying unparalleled products and service to the worldwide geophysical survey sector. These purpose-built, turn-key, systems incorporate the very latest hardware specifications and are designed and delivered to meet the demanding nature of offshore survey work.

The DA4G™ range consists of a number of options and is backed by (like all our products) our global service and support.

Motion Sensing Products

The CodaOctopus F180[®] and the more recently introduced CodaOctopus F170[™] families have been developed for the marine environment based on technology originally developed for the extreme world of motor racing. Modifications and enhancements have resulted in a simple-to-use, off-the-shelf product that brings accurate positioning and motion data into extreme offshore conditions for precision marine survey applications worldwide. Variants within the F180[®] series include the F190[™], exclusively configured for use 'inland', e.g. within ports and harbors, and the F185[™], with enhanced precision positioning to 2 cm accuracy (<1"). Octopus iHeave, an intelligent software product for dealing with long period ocean swell compensation, is fully integrated within the F180[®] series.

The F170[™] family is designed with ease of use in mind. They are compact, simple to install and produce accurate position and motion data for the marine industry. Two product variants are available: the F170[™] and the F175[™]. The F175[™] allows integration of third-party GNSS systems thus enhancing the accuracy of the outputs and improving the robustness of the solution.

This product is sold alone and in conjunction with our real time 3D sonars. We are currently expending a significant amount of our resources in developing the new generation of our motion sensors. Our newly developed suite of products will focus on expanding the market into which we sell these devices to include the AUV market which is an expanding market for our products in general.

Coda Octopus Products Limited has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

Marine Engineering Businesses ("Service Segment")

Our Marine Engineering Businesses (Coda Octopus Martech Limited (based in Portland, Dorset, England) and Coda Octopus Colmek, Inc. (based in Salt Lake City, Utah)) operate in the defense space.

We provide engineering services to a wide variety of clients in the defense markets. A significant part of these services is provided to defense contractors and are often intended for prototype productions which typically lead to long term manufacturing contracts. These arrangements often give us long term preferred/sole supplier status, technology refresh and the obsolescence management for such customers.

In addition, our engineering capabilities are increasingly being combined with our product offerings, bringing opportunities to provide complete systems, installation and support.

Coda Octopus Martech Limited ("Martech")

Martech operates in the specialized niche of bespoke and manufacturing services mainly to the United Kingdom defense and subsea industries. Its services are provided on a custom sub-contract basis where high quality and high integrity devices are required in small quantities. Martech has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

An example of Martech's design and engineering services is the development of a ruggedized display unit in military vehicles capable of displaying variables such as wind speed, air temperature and humidity independent of the vehicle's computer.

In late 2010 Martech was awarded a significant contract to design and build two pre-production decontamination units the successors of which have been designated as part of the ground equipment for a major international military aircraft program. Since then, the Company has moved to production of these and it remains a significant opportunity for this subsidiary.

The Company enjoys pre-approvals to allow it to be short-listed for certain types of government contracts. Much of the more significant business secured by Martech is through the formal government or government contractor tendering process.

Martech is a key supplier of various parts to our Marine Technology Business and has been assisting in the further development of a number of those products.

Coda Octopus Colmek, Inc. ("Colmek")

Colmek is a service provider of defense engineering solutions, particularly in the fields of data acquisition, storage, transmission and display. It has grown and diversified since beginning its operations in 1977 and now provides services and products to a wide range of defense, research and exploration organizations in the United States.

Colmek designs, manufactures and supports systems that are reliable and effective in multiple military and commercial applications where ruggedness and reliability under extreme operational conditions are paramount and where lives depend on accurate and precise information.

Colmek has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

Colmek has long standing relationships with a number of prime defense contractors and has been supporting a number of defense programs for over 15 years including the (CIW) Close In Weapons Support Program (Phalanx) for which it supplies proprietary parts and services and technical refresh programs for these parts. As a result, Colmek has repeat revenues from these long standing programs.

Colmek continues to expand the number of established programs it supplies proprietary parts to. In June 2014 Colmek completed the acquisition of the Thermite® Rugged Visual computer line and the Sentiris AV1 XMC video card for \$1,100,000 in cash. Colmek also acquired hardware and other intellectual property rights (such as, software code and trademarks pertaining to these products).

The Thermite® Product fits within established programs with Department of Defense ("DoD") prime contractors and benefits from being a single source product under this program. Customers for this item include US Army, Benchmark, and iRobot's Defense and Security Division and since acquiring these two products in 2014 we have received orders in excess of \$2,500,000.

Furthermore, we are now on our last phase of the technology refresh of the Thermite® product. Once this meets its first article inspection approvals, this will present a significant opportunity for this subsidiary.

Thermite® Rugged Visual Computers

- Rugged, graphics-based PCs designed to perform in the most brutal environmental conditions
- Focus on graphics-based high-performance computing with integrated accelerated video capture capability
- Lightweight, power efficient, conduction-cooled
- Three models, optimized for man-wearable, vehicle, and airborne platforms
- Programs include dismounted soldier training, mission rehearsal, real-time imaging, robotic control, weapon system control, C4ISR, sensor processing and display

Sentiris AV1 XMC

- FPGA-based PCI Express Mezzanine Card designed for video and graphics processing applications
- Targeted platforms include MH-47G helicopters, MH-60M Blackhawk helicopters, MC-130H Combat Talon II and CV-22 Tilt-Rotor aircraft

We have since received first article inspection approval for this product and it is now in production and represents a significant product for this subsidiary.

Stinger™ family of Rugged Small-Form-Factor PCs

The Stinger 1000 is a unique rugged computer that provides a cost effective solution for harsh mobile computing environments. Utilizing PC-104 architecture and employing creative ruggedization, Colmek has engineered a stable platform which is easily tailored to any application.

The Stinger 1000 rugged mobile computer is highly customizable, presenting an inspiring assortment of selectable attributes. The stinger mobile computer is engineered to meet military requirements. Colmek has successfully deployed Stinger products on Unmanned Aerial Systems (UAS), and shipboard for satellite-based tracking systems.

RhinoTuff™ family of Rugged Touch Screen Computers

The robust RhinoTuff™ rugged touch screen computer is built exclusively for reliable operation in the world's harshest environments. It is modular and user-definable affording maximum flexibility. This all-weather, all terrain, all-in-one PC thrives in a field where the average "tough" computer is simply not tough enough, including, mining and construction sites, oil fields, marine environments, and military battlefields.

Rugged Chassis/Enclosures

The chassis and enclosures offered by Coda Octopus Colmek are fully customizable to military/industrial needs. Colmek is a key supplier on high profile programs including Raytheon's Phalanx Close-In Weapons System (CIWS) and Northrop Grumman's airborne mine hunting sonar AN/AQS-24. We also offer a variety of enclosures technologies.

Other products offered by Colmek include subsea telemetry and data acquisition systems, rugged workstations, analog-to-digital converters and rugged LCD displays.

Competition

Data Acquisition Products

The sonar equipment industry is fragmented with several companies occupying niche areas, and we face competition from different companies with respect to our different products. In the field of geophysical products Triton Imaging Inc., a US-based company, now part of the ECA Group (Toulon, France), Chesapeake, a US-based company, and Oceanic Imaging Consultants, Hawaii, USA, dominate the market with an estimated of 25% each of world sales, while we believe that we control approximately 10% of world-wide sales.

Motion Sensing Products

In the field of motion sensing equipment, where our product addresses a small part of the overall market, we believe that we have four principal competitors: TSS (International) Ltd in Watford, England which is focused on the mid-performance segments with about 25% of the world market; Ixsea, a French company which covers all segments, with about 20% of the market; Kongsberg Seatex, a Norwegian company (part of Kongsberg Gruppen) which has products across all segments, with about 15% of the market; and Applanix, a Canadian company, now part of Trimble which has one major product focused on the high end of the market, with about 20% of the market. We believe that our market share in the field of motion sensing equipment is only about 10%.

Real Time 3D Sonar

In the field of Real Time 3D imaging, we are unaware of other companies offering a similar product. The entry into this market is dependent upon specialized marine electronics and acoustic skills. The learning curve, which has resulted in the advancement of our real time 3D sonar device, is the culmination of two decades of research and development into this field. We are also aware of a number of high profile and substantial competitors' real time 3D projects that have failed. Over the last several years there have been lower grade sonars entering the market of 3D imaging. Companies such as Triton International Ltd., United Kingdom, and BlueView Technologies Inc., USA (now a part of Teledyne), are examples, but none of these sonar offerings are direct comparisons or competitors in respect of our real time 3D solutions as we believe that they do not have the same capabilities as our patented Echoscope[®] technology in terms of generating real time 3D images of submerged objects and environments in low or zero visibility conditions.

We seek to compete on the basis of producing high quality products employing cutting edge technology that is easy to use by operators without specialized skills in sonar technology. We intend to continue our research and development activities to continually improve our products, seek new applications for our existing products and to develop new innovative products.

Marine Engineering Businesses

Through our marine engineering operations, Coda Octopus Colmek, Inc. and Coda Octopus Martech Limited, we are involved in custom engineering for the defense industry in the United States, and in the United Kingdom. Martech competes with larger contractors in the defense industry. Typical among these are Ultra Electronics, BAE Systems,

and Thales, all of whom are also partners on various projects. In addition, the strongest competitors are often the clients themselves. Because of their size, they often have the option to proceed with a project in-house instead of outsourcing to a sub-contractor like Martech or Colmek.

Intellectual Property

Our product portfolio and technologies are protected by intellectual property rights including trademarks, copyrights and patents. We have a number of fundamental patents including a patent covering the stitching together of acoustic imagery. This covers the real time acoustic image generation element of what we do, and we believe it provides us with a competitive advantage.

Patents

Our patented inventions along with our strategy to enhance these inventions are at the heart of the Company's strategy for growth and development.

Our patent portfolio consists of the following:

Patent Number	Description
US Patent No. 6,438,071	Concerns the "Method for Producing a 3-D Image" and is also recorded in the European Patents Register #EP 1097393 B1; Australia #55375/99 and Norway #307014. This patent relates to the method for producing a 3D image of a submerged object, e.g. a shipwreck or the sea bottom.
US Patent No. 6,532,192	Concerns "Subsea Positioning System and Apparatus"
US Patent No. 7,466,628	Concerns a "Method of constructing mathematical representations of objects from reflected sonar signals."
US Patent No. 7,489, 592	Concerns a "Method of automatically performing a patch test for a sonar system, where data from a plurality of overlapping 3D sonar scans of a surface, as the platform is moved, are used to compensate for biases in mounting the sonar system on the platform".
US Patent No. 7,898,902	Concerns a "method of representation of sonar images" allowing sonar three dimensional data to be represented by a two dimensional image.
US Patent No. 8,059,486	Concerns a method of rendering volume representation of sonar images.
US Patent No. 8,854,920	Concerns a method of volumetric rendering of three dimensional sonar data sets
US Patent No. 9,019,795	Method of object tracking using sonar imaging

Trademarks

We own the following registered trademarks: Coda®, Octopus®, CodaOctopus®, Octopus & Design®, F180®, Echoscope®, Survey Engine®, Dimension®, DAseries®, Sentiris® and Thermite®; CodaOctopus® Vantage; CodaOctopus® UIS; and CodaOctopus® USE.

We also use the following trademarks: F170™, F175™, F190™, UIS™ TEAM™ and TEAM+™. In addition, we have registered a number of internet domain names.

Item 10: The nature and extent of facilities

Lakeland, Florida, USA (Headquarters to Group and operational facilities for Coda Octopus Products, Inc. – Owned by the Group)

Our corporate offices, which co-locate with our wholly owned subsidiary, Coda Octopus Products, Inc., are located in Lakeland, Florida, USA. We own premises comprising 4,154 square feet of office, warehouse space and testing facilities.

Orlando, Florida, USA

Our US subsidiary Coda Octopus Products, Inc., purchased a property in Florida on or around February 2016 for around \$730,000. This property will be used by staff who are seconded from our UK R&D Division to our Florida Office to assist with ongoing R&D projects.

Salt Lake City, Utah, USA (Marine Engineering Facilities – Owned by the Group)

We own premises in Salt Lake City from which Coda Octopus Colmek conducts its operations. The premises comprise 16,000 square feet of office, test, R&D and production facilities and warehouse space.

Edinburgh, Scotland, United Kingdom (Marine Technology Operations)

Offices:

Our wholly owned United Kingdom subsidiary, Coda Octopus Products Ltd, leases business premises comprising 4,099 square feet in Edinburgh, United Kingdom. These premises are used as offices. The building is located close to the Port of Leith and the Firth of Forth, which is convenient for conducting trials and demonstrations of our products.

The Company has the lease of these premises until February 28, 2019. The annual rent is fixed for the duration of the lease at the British Pounds equivalent of \$54,130 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations).

R&D Test Facilities (Owned by the Group)

The Company owns a R&D test facility in Edinburgh. These premises comprise 917 square feet and are equipped with an acoustic test tank for the development and testing of our products.

Production and Repair Services Facilities

In keeping with its strategy to continue to develop our core patented flagship technology (the Real Time 3D Sonar Technology), Coda Octopus Products Ltd has, from 1 May 2016, leased manufacturing and servicing premises in Edinburgh comprising 2,450 square feet and located a few hundred yards from this business' principal place of

business at Anderson House. These facilities have been equipped with a test tank and will be used to manufacture and service our Echoscope® products. Our flagship product is no longer produced in Bergen, Norway, but in Edinburgh, United Kingdom, at this leased facility.

The lease is for a period of 18 months and the annual rent is the British Pounds equivalent of \$26,950 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations). The rent is fixed for the duration of the lease.

Portland, Dorset, England, United Kingdom (Marine Engineering Facilities with dedicated facilities for Marine Technology Operations – Owned by the Group)

Martech is located in premises built in 2014/15, which it leases from Coda Octopus Products Limited. The premises comprising 9,890 square feet comprises both office space and manufacturing and testing facilities. The lease, which is for a period of 5 years, provides for an annual rent of the equivalent of \$51,000 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations). These premises are owned by Coda Octopus Products Limited. These premises allow easy access to marine facilities such as testing vessels etc.

Bergen, Norway (Marine Technology Development Center)

Our wholly owned Norwegian subsidiary, Coda Octopus R&D AS, has now relocated to much smaller premises comprising 2,370 square feet of business premises and which is leased. This now serves solely as R&D center following the transfer of the manufacturing of the Echoscope to our Edinburgh operation.

The lease provides for an annual rent of \$2,350 (the rent is stated in Norwegian Kroners and is therefore subject to exchange rate fluctuations) and expires on October 31, 2019 but can be terminated with 6 months’ notice.

All non-USD rents are stated at the prevailing exchange rates.

Part D: Management Structure and Financial Information

Item 11: Name of chief executive officer, members of the board of directors as well as control persons

A. Officers and Directors:

<p>Michael Hamilton, Chairman</p>	<p>Michael Hamilton has been our Chairman of the Board since June 2010. Since 2014, Mr. Hamilton has provided accounting and valuation services for a varied list of clients. He was Senior Vice President of Powerlink Transmission Company from 2011 through 2014. From 1988 to 2003, he was an audit partner at PriceWaterhouseCoopers. He holds a Bachelor of Science in Accounting from St. Frances College and is a certified public accountant and is accredited in business valuation.</p>
<p>Annamarie Gayle, CEO and Director</p>	<p>Annamarie Gayle has been our Chief Executive Officer and a member of the Board of Directors since 2011. She also is the Managing Director of our Marine Technology Group. Prior to this she spent a number of years leading the restructuring efforts of our Company. Ms. Gayle holds a Law degree gained at the University of London and a Masters of Law degree in International Trade from Cambridge University. She is qualified to practice as a solicitor in England & Wales.</p>

<p>Michael Midgley, CFO and Divisional CEO of Coda Octopus Colmek, Inc.</p>	<p>Michael Midgley has been our acting Chief Financial Officer since 2013. He has also been the Divisional Chief Executive Officer of Colmek since 2010, which he joined in 2008. He is a qualified CPA and has had his own practice as well as working for regional accounting firms, specializing in SEC and Tax practice areas. Mr. Midgley attended the University of Utah.</p>
<p>Blair Cunningham, President of Technology, Divisional CEO of Coda Octopus Products Inc and Director</p>	<p>Blair Cunningham has been with the Company since July 2004 and has had a number of roles including President of Technology and Divisional CEO of Coda Octopus Products, Inc. (current position), Chief Technology Officer and Head of R& D Operations of Coda Octopus Group, Inc. since 2005 and Technical Manager of Coda Octopus Products Ltd between July 2004 and July 2005. Mr. Cunningham received an HND in Computer Science in 1989 from Moray College of Further Education, Elgin, Scotland</p>
<p>Geoff Turner, Director</p>	<p>Geoff Turner has been a director since 2011. He has been with the Company since May 2006 and during that time has had a number of roles including Senior Vice President, Mergers and Acquisitions of Coda Octopus Group, Inc. and President European Operations. From September 2009 to 2011, he acted as the Company’s Chief Executive Officer. He acted as interim Chief Financial Officer from January 2010 to March 2011. Previously, he served as a consultant from November 2005 to April 2006 through his consultancy company Taktos Limited. He has been involved in the IT industry for over 30 years, in both technical and commercial roles. He spent the 13 years up to 1999 with GE Information Services (& International Network Services), the then global market leader in Electronic Commerce, where he was Director of Business Development for Europe, Middle East and Africa. During this time, in addition to his business development roles he held posts as Software Products Director, and in global channel sales management.</p>
<p>Robert Ethrington, Non-Executive Director</p>	<p>Robert Ethrington has been a member of our Board of Directors since 2013. Since 1989, Mr. Ethrington has been a director of Resanco Ltd., a UK based consultancy firm specializing in competitive strategy and corporate restructuring services that operates in both developed world countries and in developing countries of Asia and Africa and economies of the former Soviet Union. He has also been a director of Resendjer srl, a Moldova based manufacturer of essential oils, since 2001. Mr. Ethrington earned a Bachelors’ of Arts Degree from Leeds University and an MBA from Cranfield University.</p>
<p>Chuck (Francis) Rogers, Non-Executive Director</p>	<p>Chuck (Francis) Rogers has been a member of our Board of Directors since July 2016. Since 2014, he has been affiliated with Score and KMDR, LLC, a California based financial and business consultancy firm. Mr. Rogers was President and Chief Executive Officer of three diverse businesses from 1998 to 2014; the most significant was the ASC Group, Inc., an electronics systems integrator serving the defense and aerospace market worldwide. He holds a B.S. in Ceramic Engineering from Alfred University and an MA in Economics and Finance from St. Mary’s University.</p>

Audit Committee Disclosure:

Board Committees

We have established an audit committee consisting of three directors: Michael Hamilton (chairman), Robert Ethrington and Francis Rogers. The Board has determined that:

- Mr. Hamilton qualifies as an “audit committee financial expert,” as defined by the SEC in Item 407(d)(5) of Regulation S-K; and

- All members of the Audit Committee (i) are “independent” under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc., (ii) meet the criteria for independence as set forth in the Exchange Act, (iii) have not participated in the preparation of our financial statements at any time during the past three years and (iv) are financially literate and have accounting and finance experience.

The designation of Mr. Hamilton as an “audit committee financial expert” will not impose on him any duties, obligations or liability that are greater than those that are generally imposed on him as a member of our Audit Committee and our Board, and his designation as an “audit committee financial expert” will not affect the duties, obligations or liability of any other member of our Audit Committee or Board.

Executive Compensation including Board of Directors

Annmarie Gayle, CEO and Director	Ms. Gayle is paid \$230,000 per annum. She is also entitled to receive reimbursement of business expenses.
Michael Midgley, Acting CFO and Divisional CEO of Coda Octopus Colmek, Inc.	Mr Midgley is paid \$200,000 per annum. He is also entitled to receive reimbursement of business expenses.
Blair Cunningham, President of Technology, Divisional CEO of Coda Octopus Products Inc and Director	Mr Cunningham is paid \$160,000 per annum. He is also entitled to receive reimbursement of business expenses.
Geoff Turner, Full Time Director	Mr Turner is paid \$156,000 per annum. He is also entitled to receive reimbursement of business expenses.
Michael Hamilton, Chairman	Mr Hamilton is paid an annual fee of \$20,000. He is also entitled to receive reimbursement of business expenses.
Robert Ethrington, Non-Executive Director	Mr Ethrington is paid a fee of \$2,500 per quarter. He is also entitled to receive reimbursement of business expenses.
Chuck (Francis) Rogers, Non-Executive Director	Mr Rogers is paid a fee of \$2,500 per quarter. He is also entitled to receive reimbursement of business expenses.

For security ownership of the Company’s officers and directors, see Item 14.

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person’s involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated;
or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

No director, officer or control person has, to the knowledge of the Company, been the subject of any of the actions or issues listed under items 1 through 4 above in the last five years.

C. Disclosure of family relationships

The CEO's domestic partner owns more than 5% of the outstanding common stock.

D. Disclosure of related party transactions

On or around February 21, 2008 we issued senior secured convertible debentures in the principal amount of \$12,000,000 (the "Debentures"). The Company recently restructured the Debentures as follows:

1. The maturity date of the debentures was extended to November 1, 2017;
2. The Company agreed to reduce the principal amount outstanding under the Debentures by \$2,000,000 payable in 10 equal payments commencing March 31, 2016;
3. On March 1, 2016, the Company issued 2,310,447 shares of its common stock in extinguishment of \$3,558,136 (the 130% redemption premium) due under the Notes at an effective price of \$1.54; and
4. The Company has agreed to return to filing reports under the Securities Exchange Act of 1934 before March 1, 2017 (the holder of the Debentures has since unconditionally released the Company from this requirement).

As of October 31, 2015, the principal balance plus accrued interest and accrued conversion premium under the Debentures was \$14,940,258. As a result of the restructuring, as of October 31, 2016, the total principal balance plus accrued interest outstanding under the Notes had been reduced to \$9,744,123.

The Debentures are held by CCM Holdings, LLC, a company organized under the laws of New Jersey. CCM Holdings is the registered holder of 22.5% of the Company's issued and outstanding shares of common stock. The Debentures are secured against all our assets.

On or around December 12, 2016 the Company's Chief Executive Officer loaned one of the Subsidiaries \$1,000,000 for working capital. The loan has a term of one year and carries an interest rate of 4.5%.

E. Disclosure of conflicts of interest

None.

Items 12 and 13: Financial statements for the years ended October 31, 2016 and 2015

Audited financial statements for Coda Octopus Group, Inc. are included in this Annual Report on pages 54 through to 82. The following audited financial statements are included herein:

1.	Consolidated balance sheets as of October 31, 2016 and 2015
2.	Consolidated statements of income and comprehensive income for the years ended October 31, 2016 and 2015
3.	Consolidated statement of changes in stockholders' equity for the years ended October 31, 2016 and 2015
4.	Consolidated statements of cash flows for the years ended October 31, 2016 and 2015
5.	Notes to consolidated financial statements for the years ended October 31, 2016 and 2015

The audited consolidated financial statements include the accounts of Coda Octopus Group, Inc., and our domestic and foreign subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the audited consolidated financials and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that we may undertake in the future, actual results may differ from those estimates.

Item 14: Beneficial Shareholders.

Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than five percent (5%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders. The table also discloses beneficial by the Company's directors and officers.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership of Common Stock[*]	Percent of Common Stock
Michael Hamilton	7,143	**
Annmarie Gayle ⁽²⁾	13,037	**
Michael Midgley	7,143	**
Geoff Turner	10,011	**
Blair Cunningham	24,297	**
Robert Ethrington	32,143	**
Francis Rogers	7,143	**
Niels Sondergaard Carit Etlars Vej 17A 8700 Horsens Denmark	2,213,485	24.4%

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership of Common Stock ^{*)}	Percent of Common Stock
CCM Holdings LLC ⁽³⁾ 376 Main Street Bedminster, NJ 07921	2,042,503	22.5%
BKF Asset Holding Inc. ⁽⁴⁾ 31248 Oak Crest Drive, Suite 110 Westlake Village, CA 91361	669,447	7.4%
G. Tyler Runnels ⁽⁵⁾ 2049 Century Park East, Suite 320 Los Angeles, CA 90067	521,945	5.8%
J. Steven Emerson ⁽⁶⁾ 1522 Ensley Avenue Los Angeles, CA 90024	463,126	5.1%
Bryan Ezralow ⁽⁷⁾ 23622 Calabasas Rd. Suite 200 Calabasas, CA 91302	605,612	6.7%
<i>All Directors and Executive Officers as a Group (seven persons):</i>	100,917	1.1%

^{*)} The number of shares has been adjusted retroactively to account for a 1 for 14 reverse stock split that was completed on January 11, 2017. These numbers are subject to adjustment due to rounding up of fractional shares. Item 16.D (“Subsequent Event”) contains information on the reverse stock split.

^{**)} Less than 1%.

- 1) Unless otherwise indicated, the address of all individual and entities listed below is c/o Coda Octopus Group, Inc. 4020 Kidron Road, Suite #4, Lakeland, FL 33811.
- 2) Does not include 2,213,485 shares beneficially owned by Ms. Gayle’s domestic partner. Ms. Gayle disclaims any beneficial ownership in those shares.
- 3) The Company has been advised that this entity is the registered owner of the shares and that they are being held for the benefit of a number of parties. The Company has been further advised that it has sole voting and dispositive power over these shares through John W. Galuchi, Jr., its managing member.
- 4) The Company has been advised that Steven N. Bronson has voting and dispositive power over the shares held by this entity.
- 5) Includes 383,143 shares held by the Runnels Family Trust DTD 1-11-2000 of which Mr. Runnels is a trustee. Also includes the following: 75,009 shares held by T.R. Winston; 25,139 shares held by High Tide LLC; 24,368 shares held by TRW Capital Growth Fund, Ltd.; and 14,286 shares held by Pangaea Partners. The Company has been advised that Mr. Runnels has voting and dispositive power with respect to all of these shares.
- 6) Includes the following: 138,776 held by IRA R/O II; 112,755 shares held by Roth IRA; 49,327 shares held by the Bridget Emerson Family Trust; 20,408 shares held by Emerson Partners. The Company has been advised that Mr. Emerson has voting and dispositive power with respect to all of these shares.
- 7) Consists of 428,571 shares held by the Bryan Ezralow 1994 Trust u/t/d 12/22/1991 and 177,041 shares held by EZ MM&B Holdings, LLC. The Company has been advised that Mr. Ezralow has voting and dispositive power with respect to these shares.

Item 15: Third Party Providers

Accountant or Auditor

The auditors of the consolidated group financial statements for the years ending October 31, 2016 and 2015 are:

Frazier & Deeter, LLC
1230 Peachtree Street, N.E.
Suite 1500
Atlanta, GA 30309
Phone 404.253.7500

Registered with the Public Company Accounting Oversight Board (PCAOB)

Services provided: audit of financial statements as of and for the years ended October 31, 2016 and 2015 in accordance with PCAOB standards

Counsel

Louis A. Brilleman, P.C.
1140 Avenue of the Americas, 9th Floor
New York, NY 10036
Phone: 212-584-7805

Public Relations Consultant

MDC Group
Susan Roush
Tel: 805.624.7624
Email: info@mdcgroup.com

Investor Relations Consultant

MDC Group
David Castaneda
Arsen Mugurdumov
Tel: 414.351.9758
Email: info@mdcgroup.com

Item 16: Management discussions and analysis

Management Discussions on Results from our Operations for the twelve months ended October 31, 2016 compared to previous twelve months ended October 31, 2015

A. General

Throughout this report the following terminologies listed in the table immediately below are used and have the meanings ascribed to them in the said table.

<i>"Current Year" or "FY 2016"</i>	This refers to twelve months ended October 31, 2016 and covers the period 1 November, 2015 through to and including October 31, 2016
<i>"Previous Year" or "FY 2015"</i>	This refers to the twelve months ended October 31, 2015 and covers the period 1 November 2014 through to and including October 31, 2015

Coda Octopus Group, Inc. ("Coda," "the Company," or "we") designs and manufactures patented real time 3D sonar solutions and other leading products for sale to the subsea, defense, mining and marine sciences markets, among others. In addition, we supply marine engineering business services to prime defense contractors.

We operate through two operating business segments: Marine Technology Business ("Products" segment) and Marine Engineering Business ("Services" segment). Our products are used primarily in the underwater construction market, offshore oil and gas and wind energy industry, and in the complex dredging, port security, mining and marine sciences sectors. Our customers include service providers to major oil and gas companies, law enforcement agencies, ports, mining companies, defense companies and universities.

We supply our marine engineering business services mainly to prime defense contractors. We have been supporting some significant defense programs that enable us to supply and maintain proprietary parts through obsolescence management programs.

Historically, the Marine Technology Business generated approximately 70% of our revenues. In the last two fiscal years the Marine Technology Business has generated closer to 50% of our overall revenues, with the Marine Engineering Business growing at a faster pace. The slower growth of revenues generated by our Products Segment is largely due to the contraction in the oil and gas (O&G) industry. Due to the effort by O&G companies to restructure their O&G operations, the climate in which we sell is fiercely competitive. As a result, we often have to offer customers greater discount on our sales thus affecting our gross margins. Also, sales into this sector have declined and gross profit margins for our Products Segment have weakened.

Nevertheless, we continue to believe that our unique and patented real time 3D solutions are a significant advancement on the current technology available in the subsea sonar market. Because of its real time capability providing volumetric data of underwater target in low or zero visibility conditions, this technology reduces the operational costs to users as underwater data is provided in real time, similar to a camera. Furthermore, because the technology provides real time image of the underwater environment, it enhances safety significantly. In addition, our realtime 3D solution is one of two preferred solutions for subsea asset placements (such as Accropodes™, mattress placements, block placements and the like). Due to the decline in the price of oil, many O&G companies are seeking cost effective solutions for their operations. We believe that our real time 3D solution has the potential to revolutionize the technology used in underwater operations particularly where real time visualization is required or zero or low visibility conditions prevail. Furthermore, as discussed in our section on Research and Development, we are focusing on the advancement of our real time 3D technology to bring more competitively priced products to the market and also products tailored to particular markets. In January 2017 we launched our Echoscope®XD which is a multiple projector system which gives a wider field of view to users and making it much more suitable for bathymetry survey or imaging of a wider area. This new product can also be retrofitted to existing systems. This paves the way for the further expansion of the markets for our real time 3D Sonar. For further information of our Echoscope®XD, visit www.codaoctopus.com.

In recent years we have made progress in getting our core real time 3D technology, the Echoscope[®], adopted by a significant number of ports in the USA (the CodaOctopus Underwater Inspection System – which integrates our Echoscope, motion sensing product and hydrographic pole) where it is used for port and harbor security. In 2015 we secured the first sale of our Underwater Inspection System to a foreign port in Asia, followed by two additional sales for a value of approximately \$1,000,000. We expect to sell a number of systems to this port for the next three years under their program of upgrading their technology.

We have also made progress in expanding the markets (and applications) into which we sell our real time 3D Sonars. Recently, we have sold a number of systems to mining companies. Increasingly, our customers involved in energy and renewables are adopting the technology as the primary tool for scour management, subsea cable installation and associated cable protection tasks, and in the 2016 period, in Europe there were four significant wind energy projects and all of these projects adopted our technology.

In addition, in recent years we have started to rent our real time 3D solutions with engineering services. Given the contraction in the O&G market, rentals are increasingly becoming an important part of the composition of the Company's revenues. Furthermore, our rental offering generally yields a higher gross margin for the Company.

The following brief overview highlights some of the major issues that currently impact the Company's business.

Our business is impacted by a number of factors including:

- a. the price of commodities, in particular O&G. The decline in O&G prices has resulted in large scale reductions in capital and operational expenditures, which directly impact on the sales of our products into these and related markets;
- b. the allocation of funds to defense procurement by governments in the USA and UK;
- c. volatility of the markets including the currency market;
- d. uncertainty on the impact of the United Kingdom decision to terminate its current membership of the European Union;
- e. A significant percentage of the Company revenues are generated by the Company's subsidiaries in the United Kingdom. The depreciation of sterling against major currencies including the USD impacts our foreign subsidiaries in the United Kingdom which generates approximately 46% of our revenues which are transacted in sterling. Furthermore, a large part of our assets is held in sterling while the majority of our liabilities (which comprise our senior secured convertible debentures) is maintained in USD. See Note 2 paragraph n of Notes to the Consolidated Financial Statements regarding our Foreign Currency Translation Policy. The continued uncertainty described in paragraph (d) immediately above is likely to cause the continued decline in the value of sterling against the USD for the foreseeable future;
- f. In the event that the United Kingdom does not secure access to the European Union Single Market, this is likely to directly impact our cost basis as currently we do not pay export duty on products that we sell to customers in the Single Market;
- g. Global-political uncertainties affecting the markets into which we sell our goods and services;
- h. the general global economic environment;

- i. Global trends which makes certain geographical regions more competitive in providing engineering solutions because of their labor rates, such as India and China, are likely to affect our Engineering Businesses in the Group; and
- j. The Company has issued and outstanding Senior Secured Convertible Debentures (See Note 8 of Consolidation Financial Statements for more information). These Debentures are secured by all of the Company's assets which may complicate its efforts to obtain additional financings.

The Company has limited external sources of capital available, and as such is reliant upon its ability to sell its products and services to provide sufficient working capital for its operations and obligations.

The Company's operations are split between the United States, United Kingdom, Australia and Norway. A large proportion of our revenues (approximately 46%) and costs are incurred outside of the USA with a significant part of that in the United Kingdom ("UK"). In addition, a significant part of our assets (both current and fixed) are held in sterling by our foreign subsidiaries. On June 23, 2016, the United Kingdom voted to exit the European Union ("Brexit"). This resulted in significant currency exchange rate fluctuations and volatility in global stock markets including a sharp fall of sterling against the USD.

Since the Brexit vote, we have already suffered adverse currency movements affecting our UK Businesses as a result of Brexit. In summary, since we translate our financial results into USD from sterling, the depreciation of sterling against the USD impacts our revenues, costs and balance sheet valuation. The Financial Times reported recently that in July 2016 sterling closed at a 31 year low against the USD at around USD 1.32 for the Sterling. Since then sterling has continued to depreciate against the USD to around \$1.20 for £1.

Given the lack of comparable precedent, the implications of Brexit or how such implications might affect the Company in the medium to long term are unclear. However, in the event that the negotiations with Britain's European counterparts results in a so-called "hard Brexit" with no access to the European Union Single Market this could, among other things, disrupt trade and free movement of goods, services and people which could adversely affect our Business.

B. Comparison of the year ended October 31, 2016 ("Current Year" or "FY 2016") compared to the year ended October 31, 2015 ("Previous Year" or "FY 2015").

I. General Overview

Our Marine Technology Business sells its products and associated services to the offshore wind energy, dredging and marine construction, marine and port security, mining including deep sea mining, marine sciences sector and oil and gas sector. This segment generated approximately 50% and 51% of our total revenues for the fiscal years ended October 31, 2016 and 2015, respectively.

Our Marine Engineering Business largely sells its services into prime and sub-prime defense contractors. This segment generated approximately 50% and 49% of our total revenues for the fiscal years ended October 31, 2016 and 2015, respectively. This segment continues to be an important part of the Group's revenues plan and, in particular, our subsidiary Coda Octopus Colmek continues to grow.

During FY2016 our total revenues have increased by 9.8% compared to the FY2015 period. This increase is largely due to increase of sales made by both our segments equally. Our Marine Technology Business has somewhat

mitigated the downturn in the O&G sector by increasing its sales in markets such as mining, wind energy (where its products have a distinct advantage) and breakwater constructions, where it is one of two global solutions and increasingly the Coda Octopus solution is becoming the preferred solution for these construction companies because it allows the crane operators to visualize (and track) the blocks which are being laid and servicing the wind energy (renewables) sector which is a growing sector in the European markets.

In FY2016 our overall operating and net income increased by 198% and 361%, respectively over the FY-2015 period. This is largely due to the combination of the following factors below:

Revenues	During the FY 2016 our Revenues increased by 9.8%
Cost of Revenues	During the FY 2016 our Cost of Revenues decreased by 4.8%
Selling, General and Administrative Expenses (“SGA”)	SGA decreased by 18.5% over the FY 2015. During the FY 2015 we carried exceptional non-recurring costs within this category of approximately \$1.340M
Interest Payments	Our interest payment on the Senior Secured Convertible Debentures has reduced by approximately \$188,000 on an annualized basis due to reduction in the principal amount outstanding.

II. Senior Debentures and Restructuring Agreement

On February 21, 2008, we borrowed \$12 million under a convertible secured promissory note (“Senior Secured Convertible Debentures”).

Initially, the terms of the Senior Secured Convertible Debentures provided for a redemption premium of 30% upon redemption or maturity. This amount is referred to in the reconciliation below as the “Terminal Conversion Premium”. On or around October 30, 2015 the Senior Secured Convertible Debenture holder and the Company agreed to convert the Terminal Conversion Premium into the Company’s common stock and pursuant to this Agreement the stock was issued in March 2016 and the Terminal Conversion Premium extinguished.

Our obligations under the Senior Secured Convertible Debentures are secured by all our assets.

The Senior Secured Convertible Debentures incur interest of 8.5% per annum on the Principal Amount.

The Senior Secured Convertible Debentures are convertible at the debenture holder’s option at any time at a conversion price of \$14.70 per share. The Company may also force the conversion of the Debentures if certain conditions are met. However, given the trading price for the stock, the Company believes that conversion of the Debentures at this price is unlikely.

In August 18, 2014, the Company redeemed \$2,000,000 Senior Secured Convertible Debentures.

Since March 2016 the Company has redeemed a further \$1,400,000 of the Debentures and therefore the principal balance at October 31, 2016 was \$8,600,000. Our total indebtedness in respect of the Senior Secured Convertible Debentures is \$9,744,123 at October 31, 2016 compared to \$14,940,258 at October 31, 2015. This decrease is due to the conversion of the Terminal Conversion Premium portion of the Senior Secured Convertible Debentures into

the Company's Common Stock pursuant to the terms of the Restructuring Agreement described below coupled with the repayment of \$1,400,000 of the principal amount outstanding.

The maturity date of the Senior Secured Convertible Debentures was extended to November 1, 2017 under a Restructuring Agreement dated October 30, 2015. A full reconciliation of the Senior Secured Convertible Debentures can be found on page 36 of this report.

Restructuring Agreement

On or around October 31, 2015, the Company and the Senior Secured Debenture Holder reached agreement on the restructuring of the Senior Secured Convertible Debentures.

The material terms of the agreement are set out immediately below:

Extension of Maturity Date from August 31, 2016 to November 1, 2017: The parties have agreed to extend the maturity date of the Senior Secured Convertible Debentures to November 1, 2017 in exchange for the covenants and undertakings of the Company set out below.

Reduction of the Principal Amount of Loan Outstanding: The Company has covenanted to repay \$2,000,000 of the principal amount outstanding under the Senior Secured Convertible Debentures. This amount will be paid over 10 months, with the first payment due on March 31, 2016. Since this date we have reduced the principal amount outstanding by \$1,400,000.

Covenant to return to SEC Reporting: The Company has also covenanted to undertake the necessary steps to return to SEC reporting no later than 12 months from March 1, 2016. In an agreement dated October 17, 2016 the Debenture holder unconditionally released the Company from the obligation to return to SEC reporting. Notwithstanding, the Company intends to proceed with filing the appropriate form with the SEC as soon as possible.

Conversion of the portion representing the Terminal Conversion Premium into Common Stock: The Company and the Senior Secured Debenture Holder have also agreed to convert a part of the Company's indebtedness under the Loan Note Instrument into the Company's Common Stock. Accordingly, the Terminal Conversion Premium of \$3,558,136 outstanding at the date of the Agreement was converted into the Company's Common Stock at a conversion price of \$1.54. In fulfillment of this Agreement, the Company issued 2,310,477 shares of common stock on or around March 1, 2016.

Failure to comply with the terms of the Deed of Amendment constitutes an event of default that would result in, among other things, an acceleration of the Company's obligations under the Senior Secured Convertible Debentures.

The Company is current in its obligations including covenants under the terms of the Senior Secured Convertible Debentures.

The Company believes that the restructuring of the Senior Secured Debenture Agreement will have a positive impact on the Company's financial condition. The reduction of the debt burden of the Group will pave the way for realistic refinancing of the outstanding balance of the Senior Secured Convertible Debentures and will also reduce the amounts that the Company expends on servicing interest obligations under the Senior Secured Convertible Debentures.

Notwithstanding, while the Company will make best endeavors to seek refinancing for the remainder of the Senior Secured Convertible Debentures, it cannot guarantee that its efforts will be successful in whole or in part.

A reconciliation of the Senior Secured Convertible Debentures is as follows:

	<u>October 31, 2016</u>	<u>October 31, 2015</u>
Bond Principal	\$ 8,600,000	\$ 10,000,000
Accrued Interest	1,144,123	1,382,122
Accrued Terminal Conversion Premium*)	-	3,558,136
Total Bond Payable	\$ 9,744,123	\$ 14,940,258

*) See Section covering "Restructuring Agreement"

Analysis of our twelve months Financial Results for the FY 2016 compared to FY 2015

III. Comparison of audited year ended October 31, 2016 with audited year ended October 31, 2015.

Revenues for the year ended October 31, 2016 compared to the year ended October 31, 2015

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$21,118,319	\$19,234,396	Increase of 9.8% ("Increase")

The Increase in Revenues is attributed to increase in the sales generated by both the Marine Technology Business and the Marine Engineering Business. We are still adversely affected by the reduction in spending (both capital and operational) in the Oil and Gas Sector resulting from the sharp price decline in both oil and gas. The Sector has seen large reductions in capital and operational expenditures which has resulted in delays or cancellation of projects. This has had an adverse impact on the growth projections for our Products segment. Despite this, the Marine Technology Business has increased its sales to the mining, port security, wind energy markets and the breakwater construction markets during the FY 2016.

Gross Margins for the year ended October 31, 2016 compared to the year ended October 31, 2015

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
59.9%	53.8%	Increase of 6.1 percentage points ("Increase")
(gross profit of \$12,652,997)	(gross profit of \$10,340,527)	(Increase in gross profit of 22.4%)

The Increase in gross margin percentage reflects the different mix of sales in the 2016 period. Within the Products segment a significant portion of our revenues are generated from the rental of our products ("Rentals") as compared to outright sale. Generally, our Rental model attracts a higher gross profit.

Research and Development (R&D) for the year ended October 31, 2016 compared to the year ended October 31, 2015

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$1,013,125	\$998,270	Increase of 1.5% ("Increase")

This area of spending was slightly increased in the 2016 period and we expect this to increase further in this current year as we are investing significantly in the technological advancement of our real time 3D sonar technology and motion sensing products. This investment will be in bringing in new skills and incurring significant non-recurring engineering costs (NRE) for prototyping new real time 3D products and motion sensing products. Our goal will be to bring more competitively priced and technologically advanced products in this range to the market in the fiscal year late 2017 and 2018. Notwithstanding, these are complex products and we can give no assurance that we will be successful in the stated goals. Moreover we may incur significant research expenditures without realizing viable products.

Selling, General and Administrative Expenses (SG&A) for the year ended October 31, 2016 compared to the year ended October 31, 2015

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$6,101,227	\$7,482,738	Decrease of 18.5% ("Decrease")

The Decrease in our SG&A expenditures in the FY2016 is attributed to the fact that in the FY2015 period we had exceptional items of expenditures associated with legal settlements and moving our production from Bergen, Norway to Edinburgh

Key Areas of SG&A Expenditure across the Group for the year ended October 31, 2015 compared to the year ended October 31, 2014

Expenditure	October 31, 2016	October 31, 2015	Percentage Change
Wages and Salaries	\$4,161,838	\$4,230,294	Decrease of 1.6%
Legal and Professional Fees (including accounting, audit and investment banking services)	\$757,405	\$1,646,823	Decrease of 54.0%
Rent for our various locations	\$251,957	\$341,259	Decrease of 26.2%
Marketing	\$149,790	\$308,342	Decrease of 51.4%

The decrease in our Legal and Professional Fees in the FY2016 is mainly due to extraordinary costs in the FY2015 period.

Operating Income for the year ended October 31, 2016 compared to the year ended October 31, 2015.

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$5,538,645	\$1,859,519	Increase of 197.9% (“Increase”)

The Increase in Operating Income in the FY2016 compared to the FY2015 is mainly attributed to the factors outlined immediately below.

- The Company’s revenues generated in the 2016 period have increased by approximately 9.8% over the 2015 period; and
- Due to the mix of sales in the 2016 period, the Gross Profit Margins have increased by 6.1 percentage point over the 2015 period; and
- Our SG&A expenditures have fallen by 18.5% in the 2016 period as compared to the 2015 period where we carried \$1,340,000 in non-recurring exceptional costs. Furthermore, the fall in SG&A in the 2016 period is a reflection of efficiency being realized in our operations as a result of some of the strategies the Company has been pursuing over the last 3 years including tight cost control and consolidation of operations (moving production of our flagship products to our central operations in Scotland and bringing in the manufacturer of key components of our products, such as transducer development). The latter two examples have allowed us to be more efficient in the manufacturing of our flagship product and in servicing our customers including repairing their products and improving quality controls at the same time.

Other Income for the year ended October 31, 2016 compared to the year ended October 31, 2015.

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$172,090	\$358,808	Decrease of 52.0% (“Decrease”)

The decrease in “Other Income” is attributed to an exceptionally high amount of Value Added Tax (equivalent of Sales Tax) rebate for FY 2015 on stock and other production assets purchased by Coda Octopus Products Limited from our Norwegian Company, Coda Octopus R&D AS, as part of the transfer of our Production from Norway to Edinburgh.

Interest Expense for the year ended October 31, 2016 compared to the year ended October 31, 2015.

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$856,432	\$1,044,906	Decrease of 18.0% (“Decrease”)

The Interest Expense numbers shown above include interest payments attributable to the Senior Convertible Debentures. The Decrease reflects the reduction in the principal amount by \$1,400,000 and the related reduction in interest expense. We continue to be under an obligation to pay 8.5% interest on the principal amount of the Secured Debentures outstanding (\$8.6M as of October 31, 2016). Following the Restructuring Agreement between the Debenture Holder and the Company dated October 30, 2015 the principal amount will decrease by \$2M over the period from March to December 2016 and our interest payment going forward will also decrease proportionally to

the reduction of the principal amount). See Subsequent Events relating to extinguishment of Mortgage payments which will impact this category of expenditures going forward and Note 8 to the Consolidated Financial Statement for more information on this mortgage

Net Income after income tax for the year ended October 31, 2016 compared to the year ended October 31, 2015.

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$4,930,548	\$1,070,292	Increase of 360.7% ("Increase")

The Increase in Net Income in the FY2016 compared to the FY2015 period is mainly attributable to the combination of the increase in our revenues in the FY2016 period by 9.8% in conjunction with a reduction in our SG&A expenditures by 18.5% and our interest expense by 18.0%.

Comprehensive Income for the year ended October 31, 2016 compared to the year ended October 31, 2015

Year Ended October 31, 2016	Year Ended October 31, 2015	Percentage Change
\$2,219,595	\$1,544,977	Increase of 43.7% ("Increase")

The increase in Comprehensive Income in the FY2016 period is due to the increase in our revenues and gross margins and decrease in our Cost of Sales and SG&A compared to FY 2015. Notwithstanding, we have suffered a significant loss of \$2,710,953 in foreign currency translation adjustments of the values of our UK assets included in our financial statements due to the depreciation of the value of the pound sterling. Since the UK decided to leave the European Union the pound sterling has been falling significantly against the USD (see Note 2 paragraph n of Notes to the Consolidated Financial Statements for fuller information regarding our Foreign Currency Translation policy).

C. Geographic Location of operations

The Company's business segments operate in three geographic locations. Those geographic locations are:

- * United States
- * Europe
- * Australia

Information concerning principal geographic areas is presented below according to the area where the activity is taking place for the years ended October 31, 2016 and 2015 respectively:

External Revenues by Geographic Locations	USA	Europe	Australia	Total
Year ended October 31, 2016	\$ 11,116,336	\$ 8,398,768	\$ 1,603,215	\$ 21,118,319
Year ended October 31, 2015	\$ 9,969,839	\$ 8,308,080	\$ 956,477	\$ 19,234,396

Off Balance Sheet Arrangements

There are no material off balance sheet arrangements in the Group in this or the prior period.

D. Subsequent events

Subsequent to the end of the Fiscal Year 2016, the following material transactions occurred:

- On December 31, 2016, the Company redeemed in full the Series C Preferred Stock for \$1,100,000 pursuant to the terms of the Certificate of Designation for Series C. These have been cancelled and as of this date of this report we have no Series C outstanding. See Note 6 to the Consolidated Financial Statements for more information on this); and
- The Company redeemed the mortgage that was held in respect of premises it owns in Portland, Dorset and the mortgage held by HSBC in respect of these premises has been discharged. As of the date of this report, we have only liens in favor of the Senior Secured Debenture Holder in respect of these premises. (See Note 8 to the Consolidated Financial Statements for more information on this); and
- On or around December 12, 2016 the Group CEO provided a loan of \$1,000,000 to one of the Subsidiaries for working capital. The loan has a term of one year and carries an interest rate of 4.5%; and
- The Company effected a one for fourteen reverse stock split of the Company's common stock. The reverse stock split became effective on January 11, 2017 and the Company's common stock commenced trading at the open of business today on a split-adjusted basis on the OTC Bulletin Board. The CUSIP number for the common stock was changed to 19188U 206. The total number of common shares that Coda is authorized to issue remains at 150,000,000. Prior to the reverse stock split there were 127,415,895 shares of Coda's common stock outstanding. Effecting the 1 for 14 reverse split reduces the amount of issued and outstanding shares of common stock to approximately 9,101,099 (the exact number may be affected by rounding). This reverse stock split action will also affect the number of shares into which the Senior Secured Convertible Debentures may be converted into.

Part E: Issuance History

Item 17: List of securities offerings and shares issued for services in the past two years*)

*) The numbers of issued shares have been adjusted retroactively to account for a 1 for 14 reverse stock split that was completed on January 11, 2017. These numbers are subject to adjustment due to rounding up of fractional shares. Item 16.D ("Subsequent Event") contains information on the reverse stock split.

On June 30, 2015, the Company and the Holder of 6,087 shares of Series A Preferred Stock entered into an Exchange Agreement. Under the terms of the Exchange Agreement, 6,087 Series A Preferred Stock (which provided for dividends and voting rights) were cancelled and the Company issued 1,100 shares of Series C Preferred Stock with a stated value of \$1,000 each. The new Series C Preferred Stock neither attracts dividends nor has any voting rights attached. Series C Preferred Stock is convertible by the Holder or the Company subject to the Conversion Conditions being met and, if not converted, are redeemable at a fixed price of \$1,100,000 on or before December 31, 2016. See Item 16.D ("Subsequent Events") for material information which occurred after the reporting period and which affect the Series C Preferred Stock.

On October 26, 2015, the Company issued 7,143 shares of common stock to one of its Directors in accordance with the terms of his appointment which provided for these to be issued subject to serving at least one year on the Company's Board.

On December 15, 2015, the Company purchased the 200 shares of Series A Preferred Stock that were outstanding at the end of the fiscal year ended October 31, 2015 and these have been surrendered and retired. The Company had after that no shares of Series A Preferred Stock outstanding and this class has been eliminated.

On March 1, 2016, the Company issued 2,310,477 shares of its common stock to CCM Holdings, LLC in extinguishment of \$3,558,136 (the terminal conversion premium which accrued under the Senior Secured Convertible Debentures outstanding – See Note 8 to the Consolidated Financial Statements for more information on the Senior Secured Convertible Debentures).

During May, June and August 2016, the Company issued 7,143 to each of six members of the Board of Directors for their services performed as directors.

On June 16, August 25 and August 30, 2016, the Company issued an aggregate of 24,107 shares of common stock to two individuals for services rendered.

All securities were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, under Section 4(2) thereunder (except as specifically set forth above), as they were issued in reliance on the recipients' representation that they were accredited (as such term is defined in Regulation D), without general solicitation and represented by certificates that were imprinted with a restrictive legend. In addition, all recipients were provided with sufficient access to Company information. Similar restrictions and conditions also apply to the non-freely transferable shares that were issued prior to the last two financial years.

Part F: Exhibits

Item 18: Material Contracts

Since February 6, 2015 the Company owns a R&D test facility in Edinburgh, Scotland. These premises comprise 917 square feet and are located immediately adjacent to this business' principal place of business. The purchase price for the premises was £130,000 (equivalent to \$199,318). The premises have been equipped with an acoustic test tank for the development and testing of our products and are also utilized for our training activities.

On March 21, 2015 Coda Octopus Colmek, Inc., completed the purchase of new office, production and R&D Facilities comprising 16,000 square feet in Salt Lake City, Utah for \$1,200,000 in cash. These premises were further customized for Colmek's use at a cost of approximately \$300,000.

Our US subsidiary Coda Octopus Products, Inc., purchased a property in Florida in February 2016 for around \$730,000 in cash. This property is used by R&D staff on secondment from our UK office for special R&D projects.

The Company performs its business from a number of locations of which some – offices and production facilities in Edinburgh, Scotland, R&D facility in Bergen, Norway, and since 9 January, 2017 we leased offices in Perth, Australia. Please refer to Item 10.

Item 19: Articles of Incorporation and bylaws

CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.

ARTICLE I
Name

The name of the Corporation is Coda Octopus Group, Inc.

ARTICLE II
Registered Office and Agent

The address of its registered office in the State of Delaware is Trolley Square, Suite 26 C, Wilmington, County of Newcastle, State of Delaware. The name of its registered agent at such address is Inc. Plan (USA), Inc.

ARTICLE III
Purposes

The purpose for which the Corporation is organized is to transact all lawful business for which corporations may be incorporated pursuant to the laws of the State of Delaware. The Corporation shall have all the powers of a corporation organized under the General Corporation Law of the State of Delaware.

ARTICLE IV
Capital Stock

- A. *Number and Designation.* The Corporation shall have authority to issue 75 million shares of capital stock, of which 70 million shall be shares of common stock, par value \$0.001 per share ("Common Stock") and 5 million shall be shares of preferred stock, par value \$0.001 per share ("Preferred Stock"). Upon payment of consideration such shares shall be deemed to be fully paid and non-assessable.
- B. *Common Stock.* Except as otherwise required by law, the holders of Common Stock will be entitled to one vote per share on all matters to be voted on by the Corporation's shareholders.
- C. *Serial Preferred Stock.* The board of directors of the Corporation is authorized, by resolution from time to time adopted, to provide for the issuance of serial preferred stock in series and to fix and state the powers, designations, preferences and relative, participating, optional or other special rights of the shares of each such series, and the qualifications, limitation or restrictions.

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:25 PM 07/13/2004
FILED 03:25 PM 07/13/2004
SRV 040513806 - 3828185 FILE

ARTICLE V
Repurchase of Shares

The Corporation may from time to time, pursuant to authorization by the board of directors of the Corporation and without action by the stockholders, purchase or otherwise acquire shares of any class, bonds, debentures, notes, scrip, warrants, obligations, evidences or indebtedness, or other securities of the Corporation in such manner, upon such terms, and in such amounts as the board of directors shall determine; subject, however, to such limitations or restrictions, if any, as are contained in the express terms of any class of shares of the Corporation outstanding at the time of the purchase or acquisition in question or as are imposed by law.

ARTICLE VI
Stockholders

- A. *Action by Written Consent.* Action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders, only by the vote of the holders of not less than 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.
- B. *Special Meetings.* Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the holders of not less than 1/2 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.
- C. *Place of Meetings.* Meetings of stockholders may be held at such place as the by-laws may provide.

ARTICLE VII
Notice for Nominations and Proposals

Nominations for the election of directors and proposals for any new business to be taken up at any annual or special meeting of stockholders may be made by the board of directors of the Corporation or by any stockholder of the Corporation entitled to vote generally in the election of directors.

ARTICLE VIII
Directors

- A. *Number.* The number of directors of the Corporation shall be such number, not less than one nor more than nine (exclusive of directors, if any, to be elected by holders of preferred stock of the Corporation), as shall be provided from time to time in a resolution adopted by the board of directors, provided that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director, and provided further that no action shall be taken to decrease or increase the number of directors from time to time unless at least two-thirds of the directors then in office shall concur in said action. Exclusive of directors, if any, elected by holders of preferred stock, vacancies in the board of directors of the Corporation, however caused, and newly created directorships shall be filled by a vote of two-thirds of the directors then in office, whether or not a quorum, and any director so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of the class to which the director has been chosen expires and when the director's successor is elected and qualified.

- B. *Directors Elected by Preferred Stockholders.* Whenever the holders of any one or more series of preferred stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the board of directors shall include said directors so elected and not be in addition to the maximum number of directors fixed as provided in this Article VIII. Notwithstanding the foregoing, and except as otherwise may be required by law, whenever the holders of any one or more series of preferred stock of the Corporation elect one or more directors of the Corporation, the terms of the director or directors elected by such holders shall expire at the next succeeding annual meeting of stockholders.

ARTICLE IX Removal of Directors

Notwithstanding any other provision of this Certificate or the by-laws of the Corporation, any director or all the directors of a single class (but not the entire board of directors) of the Corporation may be removed, at any time, but only for cause and only by the affirmative vote of the holders of at least 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose. Notwithstanding the foregoing, whenever the holders of any one or more series of preferred stock of the Corporation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the preceding provisions of this Article IX shall not apply with respect to the director or directors elected by holders of preferred stock.

ARTICLE X Indemnification

Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (whether or not by or in the right of the corporation) by reason of the fact that he is or was a director, officer, incorporator, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, incorporator, employee, partner, trustee, or agent of another corporation, partnership, joint venture, trust, or other enterprise (including an employee benefit plan), shall be entitled to be indemnified by the corporation to the full extent then permitted by law against expenses (including counsel fees and disbursements), judgments, fines (including excise taxes assessed on a person with respect to an employee benefit plan), and amounts paid in settlement incurred by him in connection with such action, suit, or proceeding. Such right of indemnification shall inure whether or not the claim asserted is based on matters which antedate the adoption of this Article X. Such right of indemnification shall continue as to a person who has ceased to be a director, officer, incorporator, employee, partner, trustee, or agent and shall inure to the benefit of the heirs and personal representatives of such a person. The indemnification provided by this Article X shall not be deemed exclusive of any other rights which may be provided now or in the future under any provision currently in effect or hereafter adopted of the by-laws, by any agreement, by vote of stockholders, by resolution of disinterested directors, by provisions of law, or otherwise.

ARTICLE XI
Limitations on Directors' Liability

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except: (A) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (B) for acts or omissions that are not in good faith or that involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the General Corporation Law of the State of Delaware, or (D) for any transaction from which the director derived any improper personal benefit. If the General Corporation law of the State of Delaware is amended after the date of filing of this Certificate to further eliminate or limit the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XII
Amendment of By-laws

In furtherance and not in limitation of the powers conferred by statute, the board of directors of the Corporation is expressly authorized to adopt, repeal, alter, amend and rescind the by-laws of the Corporation by a vote of two-thirds of the board of directors. Notwithstanding any other provision of this Certificate or the by-laws of the Corporation, and in addition to any affirmative vote required by law (and notwithstanding the fact that some lesser percentage may be specified by law), the by-laws shall be adopted, repealed, altered, amended or rescinded by the stockholders of the Corporation only by the vote of the holders of not less than 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose (provided that notice of such proposed adoption, repeal, alteration, amendment or rescission is included in the notice of such meeting), or, as set forth above, by the board of directors.

ARTICLE XIII
Amendment of Certificate of Incorporation

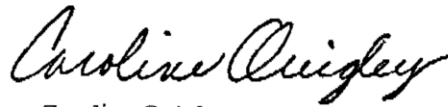
Subject to the provisions hereof, the Corporation reserves the right to repeal, alter, amend or rescind any provision contained in this Certificate in the manner now or hereafter prescribed by law, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing at any time and from time to time, the provisions set forth in Articles VII, VIII, IX, X, XI, XII and this Article XIII may be repealed, altered, amended or rescinded in any respect only if the same is approved by the affirmative vote of the holders of not less than 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE XIV
INCORPORATOR

The name and address of the incorporator is:

Caroline Quigley
Trolley Square
Suite 26 C
Wilmington, Delaware 19806

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, do make and file this Certificate of Incorporation, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set my hand this 12th day of July, 2004.



Caroline Quigley,
Incorporator

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION**

FIRST: That at a meeting of the Board of Directors of Coda Octopus Group, Inc. resolutions were duly adopted settling forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said for considerations thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FOURTH" so that, as amended, said Article shall be and read as follows:

"The total number of shares of stock which the corporation shall have authority to issue is one hundred and five million shares (105,000,000). Of such, five million (5,000,000) shall be preferred shares, each having a par value of \$.001, and one hundred million (100,000,000) shall be common shares, each having a par value of \$.001. Upon payment of consideration such shares shall be deemed to be fully paid and non-assessable"

SECOND: That as is permitted under the Certificate of Incorporation of the Corporation and in accordance with Section 228 of the General Corporation Law of the State of Delaware, the aforementioned amendment shall be taken without a meeting of stockholders and by consent of stockholders having not less than 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, said Coda Octopus Group, Inc. has caused this certificate to be signed by:

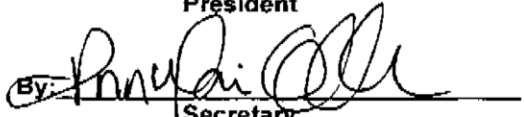
Jason Reid, its President

and Annmarie Gayle, its Secretary,

this 26th day of March, A.D. 2007

By: 

President

By: 
Secretary

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.,**

a Delaware corporation

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: Pursuant to Section 242 of the Delaware General Corporation Law, the Board of Directors of the Corporation has duly adopted, and a majority of the outstanding stock entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote as a class has duly approved, the amendment to the Certificate of Incorporation of the Corporation, as amended, set forth in this Certificate of Amendment.

THIRD: that the Certificate of Incorporation of this corporation be amended further by changing the Article "FOURTH" to read as follows:

"The total number of shares which the corporation shall have authority to issue is One Hundred Fifty Five Million (155,000,000), of which five million (5,000,000) shall be preferred shares, each having a par value of \$0.001, and One Hundred Fifty Million (150,000,000) shall be common shares, each having a par value of \$0.001."

FOURTH: That this Certificate of Amendment shall be effective as of the date of filing.

IN WITNESS WHEREOF, Coda Octopus Group Inc. has caused this Certificate to be signed by Jason Reid, its President, who hereby acknowledges under penalties of perjury that the facts herein stated are true and that this Certificate is his act and deed, this 27th day of August, 2008.

CODA OCTOPUS GROUP, INC.



By: _____
Jason Reid, President

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.**

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend Article IV of the Corporation's Certificate of Incorporation by adding at the end of Paragraph A of Article IV the following paragraph:

"The outstanding shares of Common Stock shall be reverse split on a one new share for fourteen old shares basis. Fractional shares resulting from the reverse stock split will be rounded up to the next whole number. The number of authorized shares shall not be affected by the reverse stock split. The effective date of the reverse stock split shall be June 28, 2016"

THIRD: The foregoing amendment was duly adopted by written consent in lieu of a meeting in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware. The vote required was a 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer this 13th day of May, 2016.

CODA OCTOPUS GROUP, INC.

By: */s/ Annmarie Gayle*

Annmarie Gayle

Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.**

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend Article IV of the Corporation's Certificate of Incorporation, as previously amended, by deleting the last four sentences from Paragraph A of Article IV.

THIRD: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article VI of the Corporation's Certificate of Incorporation.

FOURTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article VIII of the Corporation's Certificate of Incorporation.

FIFTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article IX of the Corporation's Certificate of Incorporation.

SIXTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article XII of the Corporation's Certificate of Incorporation.

SEVENTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article XIII of the Corporation's Certificate of Incorporation.

EIGHTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to renumber the following Articles of the Certificate of Incorporation:

Current Number	New Number
_____	_____
VII	VI
X	VII
XI	VIII
XIV	IX

NINTH: Each of the foregoing amendments was duly adopted by written consent in lieu of a meeting in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware. The vote required was a 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer this 27th day of June, 2016.

CODA OCTOPUS GROUP, INC.

By:

Annmarie Gayle

Chief Executive Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 11:16 AM 01/10/2017
FILED 11:16 AM 01/10/2017
SR 20170142479 - File Number 3828185

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.**

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend Article IV of the Corporation's Certificate of Incorporation by adding at the end of Paragraph A of Article IV the following paragraph:

"The outstanding shares of Common Stock shall be reverse split on a one new share for fourteen old shares basis. Fractional shares resulting from the reverse stock split will be rounded up to the next whole number. The number of authorized shares shall not be affected by the reverse stock split. The effective date of the reverse stock split shall be January 11, 2017"

THIRD: The foregoing amendment was duly adopted by written consent in lieu of a meeting in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware. The vote required was a majority of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its Chief Executive Officer this 9th day of January 2017.

CODA OCTOPUS GROUP, INC.

By:



Annmarie Gayle
Chief Executive Officer

Item 20: Purchases of equity securities by the Issuer and affiliated purchasers

None.

Item 21: Issuer's Certifications.

I, Annmarie Gayle, certify that:

1. I have reviewed this annual report of Coda Octopus Group, Inc.
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects, the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: January 31, 2017

/s/ Annmarie Gayle

Group CEO



Coda Octopus

**Consolidated Financial Statements
Years Ended October 31, 2016 and 2015**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Coda Octopus Group, Inc.
Lakeland, Florida

We have audited the accompanying consolidated balance sheets of Coda Octopus Group, Inc. (the "Company") as of October 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years ended October 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 Coda Octopus Group, Inc. as of October 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 30, 2017
Tampa, Florida

A handwritten signature in black ink that reads 'Frazier & Deeter, LLC'.

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
October 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,601,767	\$ 6,310,694
Restricted Cash	13,694	-
Accounts Receivables , Net	3,274,204	2,063,295
Inventory	2,598,925	3,781,311
Unbilled Receivables	3,406,693	1,479,874
Other Current Assets	140,954	319,481
Prepaid Expenses	<u>112,884</u>	<u>126,504</u>
Total Current Assets	15,149,121	14,081,159
Fixed Assets		
Property and Equipment, net	3,840,500	3,935,520
Other Assets		
Deferred Tax Asset	96,374	-
Restricted Cash	-	13,890
Goodwill and Other Intangibles, net	<u>3,749,525</u>	<u>3,849,662</u>
	<u>3,845,899</u>	<u>3,863,552</u>
Total Assets	<u>\$ 22,835,520</u>	<u>\$ 21,880,231</u>

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
October 31, 2016 and 2015

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
CURRENT LIABILITIES		
Accounts Payable, trade	\$ 1,396,475	\$ 1,032,673
Accrued Expenses and Other Current Liabilities	794,067	705,927
Loans and Note Payable, current	846,994	2,050,930
Deferred Revenues	464,541	495,566
Total Current Liabilities	3,502,077	4,285,096
LONG-TERM LIABILITIES		
Deferred Tax Liability	-	35,963
Loans and Note Payable, long term	9,178,930	13,302,120
Total Liabilities	12,681,007	17,623,179
STOCKHOLDERS' EQUITY		
Preferred stock, Series A, \$.001 par value; 50,000 shares authorized, 0 and 200 issued and outstanding, as of October 31, 2016 and October 31, 2015, respectively	-	-
Preferred stock, Series C, \$.001 par value; 50,000 shares authorized, 1,100 issued and outstanding, as of October 31, 2016 and October 31, 2015, respectively	1	1
Common stock, \$.001 par value; 150,000,000 shares authorized, 9,093,099 and 6,715,658 shares issued and outstanding as of October 31, 2016 and October 31, 2015, respectively	9,093	6,716
Additional paid-in capital	52,805,456	49,129,967
Accumulated other comprehensive income (loss)	(2,337,437)	373,516
Accumulated deficit	(40,322,600)	(45,253,148)
Total Stockholders' Equity	10,154,513	4,257,052
Total Liabilities and Stockholders' Equity	\$ 22,835,520	\$ 21,880,231

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Income and Comprehensive Income

	<u>Year Ended</u> <u>October 31, 2016</u>	<u>Year Ended</u> <u>October 31, 2015</u>
Net Revenues	\$ 21,118,319	\$ 19,234,396
Cost of Revenues	<u>8,465,322</u>	<u>8,893,869</u>
Gross Profit	12,652,997	10,340,527
OPERATING EXPENSES		
Research & Development	1,013,125	998,270
Selling, General & Administrative	<u>6,101,227</u>	<u>7,482,738</u>
Total Operating Expenses	<u>7,114,352</u>	<u>8,481,008</u>
INCOME FROM OPERATIONS	<u>5,538,645</u>	<u>1,859,519</u>
OTHER INCOME (EXPENSE)		
Other Income	172,090	358,808
Interest Expense	(856,432)	(1,044,906)
Unrealized loss on investment in marketable securities	<u>-</u>	<u>(3,031)</u>
Total Other Expense	<u>(684,342)</u>	<u>(689,129)</u>
NET INCOME BEFORE INCOME TAXES	4,854,303	1,170,390
INCOME TAX (EXPENSE) BENEFIT	<u>76,245</u>	<u>(100,098)</u>
NET INCOME	<u>\$ 4,930,548</u>	<u>\$ 1,070,292</u>
NET INCOME PER SHARE:		
Basic	<u>\$ 0.60</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.16</u>
WEIGHTED AVERAGE SHARES:		
Basic	<u>8,282,988</u>	<u>6,708,535</u>
Diluted	<u>10,482,988</u>	<u>6,758,535</u>
NET INCOME	\$ 4,930,548	\$ 1,070,292
Other Comprehensive Income:		
Foreign currency translation adjustment	<u>(2,710,953)</u>	<u>474,685</u>
Total Other Comprehensive Income	<u>(2,710,953)</u>	<u>474,685</u>
COMPREHENSIVE INCOME	<u>\$ 2,219,595</u>	<u>\$ 1,544,977</u>

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

CODA OCTOPUS GROUP, INC.
Consolidated Statement of Changes in Stockholders' Equity
For the Years Ended October 31, 2016 and 2015

	Preferred Stock Series A		Preferred Stock Series C		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, October 31, 2014	6,287	\$ 6	-	\$ -	6,708,515	\$ 6,709	\$ 49,120,969	\$ (101,169)	\$ (46,323,440)	\$ 2,703,075
Foreign currency translation adjustment	-	-	-	-	-	-	-	474,685	-	474,685
Stock exchange from Series A to Series C	- 6,087	(6)	1,100	1	-	-	5	-	-	-
Stock issued for compensation	-	-	-	-	7,143	7	8,993	-	-	9,000
Net Income	-	-	-	-	-	-	-	-	1,070,292	1,070,292
Balance, October 31, 2015	200	-	1,100	1	6,715,658	6,716	49,129,967	373,516	(45,253,148)	4,257,052
Cancellation of Series A Preferred Stock	(200)	-	-	-	-	-	-	-	-	-
Stock issued for terminal conversion Premium	-	-	-	-	2,310,477	2,310	3,555,826	-	-	3,558,136
Stock Issued to Directors	-	-	-	-	42,857	43	88,187	-	-	88,230
Stock Issued to Consultant	-	-	-	-	24,107	24	31,476	-	-	31,500
Foreign currency translation adjustment	-	-	-	-	-	-	-	(2,710,953)	-	(2,710,953)
Net Income	-	-	-	-	-	-	-	-	4,930,548	4,930,548
Balance, October 31, 2016	-	\$ -	1,100	\$ 1	9,093,099	\$ 9,093	\$ 52,805,456	\$ (2,337,437)	\$ (40,322,600)	\$ 10,154,513

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Cash Flows

	<u>Year Ended</u> <u>October 31, 2016</u>	<u>Year Ended</u> <u>October 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 4,930,548	\$ 1,070,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	809,377	449,696
Financing costs	-	328,520
Stock compensation	119,730	9,000
Unrealized loss on investments	-	3,031
Bad debt allowance	30,053	-
(Increase) decrease in operating assets:		
Accounts receivable	(1,240,962)	1,968,328
Inventory	1,182,386	279,041
Prepaid expenses	13,620	62,371
Unbilled receivables	(1,926,819)	(251,103)
Other assets	178,527	(99,158)
Deferred tax asset	(96,374)	133,233
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	451,942	(701,931)
Deferred tax liabilities	(35,963)	35,963
Deferred revenues	(31,025)	(35,015)
Net Cash Provided by Operating Activities	4,385,040	3,252,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(614,220)	(2,068,053)
Restricted cash	196	4,028
Purchases of intangible assets	-	(151,678)
Net Cash Used in Investing Activities	(614,024)	(2,215,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on loans and notes payable	(1,768,990)	(492,983)
Net Cash Used in Financing Activities	(1,768,990)	(492,983)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH		
	(2,710,953)	474,685
NET (DECREASE) INCREASE IN CASH	(708,927)	1,018,267
CASH AT THE BEGINNING OF THE PERIOD	6,310,694	5,292,427
CASH AT END OF PERIOD	\$ 5,601,767	\$ 6,310,694
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,094,432	\$ 716,387
Cash paid for taxes	\$ 100,098	\$ 125,096
Non-cash transactions		
Common stock issued for terminal conversion premium	\$ 3,558,136	\$ -

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

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Coda Octopus Group, Inc. (“we”, “us” “the Company” or “Coda”). We are developers of underwater technologies and equipment for imaging, mapping, defense and survey applications. We are based in Florida, with research and development, sales and manufacturing facilities located in the United Kingdom, Australia and Norway. We also have engineering operations in the state of Utah, and the United Kingdom. We hold significant patents relating to our real time 3D sonars and associated software.

The consolidated financial statements include the accounts of Coda Octopus Group, Inc. and our domestic and foreign subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

a. Basis of Presentation

The Company has adopted the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities, and all of the Codification's content carries the same level of authority.

b. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. At times such investments may be in excess of federal deposit insurance limits.

c. Trade Accounts Receivable

Trade accounts receivable are recorded net of the allowance for doubtful accounts. The Company provides for an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Balances still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for doubtful accounts was \$30,053 and \$0 as of October 31, 2016 and 2015, respectively.

d. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives of the property and equipment are charged to operations as incurred. Major additions and improvements are capitalized. Depreciation and amortization are computed using the straight-line method over their estimated useful lives which is typically three to four years.

e. Advertising

Coda follows the policy of charging the costs of advertising to expense as incurred, which aggregated \$130 and \$4,242 for the years ended October, 31 2016 and 2015, respectively.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

f. Inventory

Inventory is stated at the lower of cost (first-in first-out method) or market. Inventory consisted of the following components:

	October 31, 2016	October 31, 2015
Raw materials and parts	\$ 1,734,798	\$ 2,605,262
Work in progress	88,682	54,750
Demo goods	324,752	685,015
Finished goods	450,693	436,284
Total Inventory	\$ 2,598,925	\$ 3,781,311

g. Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues including unbilled and deferred revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include costs and earnings in excess of billings, billings in excess of costs and estimated earnings and the valuation of goodwill.

h. Revenue Recognition

Our revenue is derived from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications and from the engineering services which we provide. Revenue is recognized when evidence of a contractual arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after delivery.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the relative fair value of each deliverable, and recognize revenue when equipment is delivered, and for installation and other services as they are performed.

Our contracts sometimes require customer payments in advance of revenue recognition. These amounts are reflected as liabilities and recognized as revenue when the Company has fulfilled its obligations under the respective contracts.

For software license sales for which any services rendered are not considered essential to the functionality of the software, we recognize revenue upon delivery of the software, provided (1) there is evidence of a contractual arrangement for this, (2) collection of our fee is considered probable and (3) the fee is fixed and determinable.

For arrangements that are generated from time and material contracts where there is a signed agreement and approved purchase order in place that specifies the fixed hourly rate and other

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

h. Revenue Recognition (continued)

reimbursable costs to be billed based on material and direct labor hours incurred, revenue is recognized on these contracts based on material and direct labor hours incurred. Revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred (materials and direct labor hours) to date to estimated total services (materials and direct labor hours) for each contract. This method is used as expenditures for direct materials and labor hours are considered to be the best available measure of progress on these contracts. Losses on fixed-price contracts are recognized during the period in which the loss first becomes apparent based upon costs incurred to date and the estimated costs to complete as determined by experience from similar contracts. Variations from estimated contract performance could result in adjustments to operating results.

Rental revenue is recognized monthly over the term of the rental period.

i. Concentrations of Risk

Credit losses, if any, have been provided for in the consolidated financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk, since a significant part of the Company's sales are to a small number of companies and, even though these are generally established businesses, market fluctuations such as the price of oil may affect our customers' ability to meet their obligations to us.

The Company's bank deposits are held with financial institutions both in and out of the USA. At times, such amounts may be in excess of applicable government mandated insurance limits. The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash.

j. Contracts in Progress (Unbilled Receivables and Deferred Revenue)

Costs and estimated earnings in excess of billings on uncompleted contracts represent accumulated project expenses and fees which have not been invoiced to customers as of the date of the balance sheet. These amounts are stated on the consolidated balance sheets as Unbilled Receivables of \$3,406,693 and \$1,479,874 as of October 31, 2016 and 2015, respectively.

Our Deferred Revenue of \$464,541 and \$495,566 as of October 31, 2016 and 2015, respectively, consists of billings in excess of costs and revenues received as part of our warranty obligations upon completing a sale – elaborated further in the last paragraph of this note.

Billings in excess of cost and estimated earnings on uncompleted contracts represent project invoices billed to customers that have not been earned as of the date of the balance sheets. These amounts are stated on the balance sheets as a component of Deferred Revenue of \$0 and \$3,437 as of October 31, 2016 and 2015, respectively.

Revenue received as part of sales of equipment includes a provision for warranty and is treated as deferred revenue, along with extended warranty sales, with these amounts amortized over 12 months, our stated warranty period, from the date of sale. These amounts are stated on the balance sheets as a component of Deferred Revenue of \$464,541 and \$492,129 as of October 31, 2016 and 2015, respectively.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

k. Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification 740, *Income Taxes* (ASC 740). Under ASC 740, deferred income tax assets and liabilities are recorded for the income tax effects of differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax reporting. The Company's differences arise principally from the use of various accelerated and modified accelerated cost recovery systems for income tax purposes versus straight line depreciation used for book purposes and from the utilization of net operating loss carry-forwards.

Deferred tax assets and liabilities are the amounts by which the Company's future income taxes are expected to be impacted by these differences as they reverse. Deferred tax assets are based on differences that are expected to decrease future income taxes as they reverse. Correspondingly, deferred tax liabilities are based on differences that are expected to increase future income taxes as they reverse. Note 7 below discusses the amounts of deferred tax assets and liabilities, and also presents the impact of significant differences between financial reporting income and taxable income.

For income tax purposes, the Company uses the percentage of completion method of recognizing revenues on long-term contracts which is consistent with the Company's financial reporting under U.S. generally accepted accounting principles.

l. Intangible Assets

Intangible assets consist principally of the excess of cost over the fair value of net assets acquired (or goodwill), customer relationships, non-compete agreements and licenses. Goodwill was allocated to our reporting units based on the original purchase price allocation. Goodwill is not amortized and is evaluated for impairment annually or more often if circumstances indicate impairment may exist. Customer relationships, non-compete agreements, patents and licenses are being amortized on a straight-line basis over periods of 2 to 10 years. The Company amortizes its limited lived intangible assets using the straight-line method over their estimated period of benefit. We periodically evaluate the recoverability of intangible assets and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value, which is based on future cash flows, exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, the second step must be performed to measure the amount of the impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. At the end of each year, we evaluate goodwill on a separate reporting unit basis to assess recoverability, and impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount of the goodwill over the implied fair value of the goodwill. There were no impairment charges recognized during the years ended October 31, 2016 and 2015.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

m. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair values because of the short-term nature of these instruments. The aggregate carrying amount of the notes payable approximates fair value as they bear interest at a market interest rate based on their term and maturity. The fair value of the Company's long-term debt approximates its carrying amount based on the fact that the Company believes it could obtain similar terms and conditions for similar debt.

n. Foreign Currency Translation

Assets and liabilities are translated at the prevailing exchange rates at the balance sheet dates, related revenue and expenses are translated at weighted average exchange rates in effect during the period and stockholders' equity, fixed assets and long-term investments are recorded at historical exchange rates. Resulting translation adjustments are recorded as a separate component in stockholders' equity as part of accumulated other comprehensive income or (loss) as may be appropriate. Foreign currency transaction gains and losses are included in the consolidated statements of income and comprehensive income.

o. Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No impairment loss was recognized during the years ended October 31, 2016 and 2015, respectively.

p. Research and Development

Research and development costs consist of expenditures for the development of present and future patents and technology, which are not capitalizable. Under current legislation, we are eligible for UK and Norway tax credits related to our qualified research and development expenditures.

Tax credits are classified as a reduction of research and development expense. During the years ended October 31, 2016 and 2015, we had \$0 and \$24,997, respectively.

q. Stock Based Compensation

We recognize the expense related to the fair value of stock-based compensation awards within the consolidated statements of income and comprehensive income. We use the fair value method for equity instruments granted to non-employees and use the Black Scholes model for measuring the fair value. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the periods in which the related services are rendered. For the years ended October 31, 2016 and 2015, we have included compensation expense (when applicable) for unvested

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

q. Stock Based Compensation (Continued)

stock-based compensation awards that were outstanding as of October 31, 2016 and 2015, for which the requisite service was rendered during the year.

r. Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Comprehensive income includes gains and losses on foreign currency translation adjustments and is included as a component of stockholders' equity.

s. Earnings Per Share

We compute basic earnings per share by dividing the income attributable to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effect, if any, from the potential exercise of stock options and warrants.

Following is a reconciliation of earnings from continuing operations and weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share:

Fiscal Period	Year Ended October 31, 2016	Year Ended October 31, 2015
Numerator:		
Earnings from Continuing Operations	<u>\$ 4,930,548</u>	<u>\$ 1,070,292</u>
Denominator:		
Basic weighted average common shares outstanding	8,282,988	6,708,535
Conversion of Series C Preferred Stock (See Note 14)	2,200,000	50,000
Dilutive effect of stock options	<u>-</u>	<u>-</u>
Diluted outstanding shares	<u>10,482,988</u>	<u>6,758,535</u>
Earnings from continuing operations		
Basic	\$ 0.60	\$ 0.16
Diluted	\$ 0.47	\$ 0.16

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

t. Restricted Cash

The Company is required to have a specific cash account to guarantee a lease in Norway whereby the lessor has access to withdraw on the account upon default on the lease. The amount required to be held in the account was \$13,694 and \$13,890 as of October 31, 2016 and 2015, respectively, and is shown as a short term asset as of October 31, 2016 and as a long-term asset as of October 31, 2015.

u. Recent Accounting Pronouncements

There have been no new accounting pronouncements made effective during fiscal 2016 that have significance, or potential significance, to our Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Effective

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of the new revenue standard for periods beginning after December 15, 2016 to December 15, 2017, with early adoption permitted but not earlier than the original effective date. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

On February 24, 2016, the FASB issued ASU No. 2016-02, Leases, requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

On March 30, 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies various aspects related to the accounting and presentation of share-based payments. The amendments require entities to record all tax effects related to share-based payments at settlement or expiration through the income statement and the windfall tax benefit to be recorded when it arises, subject to normal valuation allowance considerations. All tax-related cash flows resulting from

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

u. Recent Accounting Pronouncements (Continued)

share-based payments are required to be reported as operating activities in the statement of cash flows. The updates relating to the income tax effects of the share-based payments including the cash flow presentation must be adopted either prospectively or retrospectively. Further, the amendments allow the entities to make an accounting policy election to either estimate forfeitures or recognize forfeitures as they occur. If an election is made, the change to recognize forfeitures as they occur must be adopted using a modified retrospective approach with a cumulative effect adjustment recorded to opening retained earnings. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to our Consolidated Financial Statements.

V. Liquidity

The Company is dependent upon its ability to generate revenue from the sale of its products and services to generate cash to cover its operations and obligations.

The Company has approximately \$9.7 million in debt which matures on November 1, 2017. The Company is in the process of negotiating the refinancing of the debt with an institution. However, there can be no assurance that the negotiations will be successful or at terms acceptable to the Company. The Company does not currently have the cash on hand or operations to be able to generate the cash to repay the debt when it is due. In the event that the Company does not raise the funds necessary to refinance the debt, it would have to re-negotiate the terms with the debtholder. However, there can be no assurance that we will secure a further extension of the maturity date and in such event our failure to pay this amount when due could have a material adverse effect on the Company's financial condition and results of operations.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Goodwill and Other Intangible Assets are evaluated on an annual basis. If there is reason to believe that their values have been diminished or impaired, Write-downs, if any, will be included in results from operations.

The identifiable intangible assets acquired and their carrying value as of: October 31, 2016 and 2015, are as follows:

	October 31, 2016	October 31, 2015
Customer relationships (weighted average life of 10 years)	\$ 886,164	\$ 872,269
Non-compete agreements (weighted average life of 3 years)	198,911	198,911
Patents and other (weighted average life of 10 years)	<u>294,175</u>	<u>328,939</u>
Total identifiable intangible assets - gross carrying value	1,379,250	1,400,119
Less: accumulated amortization	<u>(1,011,833)</u>	<u>(932,565)</u>
Total intangible assets, net	<u>\$ 367,417</u>	<u>\$ 467,554</u>

Future estimated annual amortization expenses as of October 31, 2016 as follows:

Years Ending October 31,	Amount
2017	\$ 72,458
2018	40,595
2019	40,595
2020	40,595
2021	40,595
Thereafter	<u>132,579</u>
Totals	<u>\$ 367,417</u>

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to \$46,986 and \$137,546 for the years ended October 31, 2016 and 2015, respectively. Goodwill is not being amortized.

As a result of the acquisitions of Coda Octopus Martech, Ltd., Coda Octopus Colmek, Inc., Coda Octopus Products, Ltd., and Dragon Design, Ltd., the Company has goodwill in the amount of \$3,382,108 as of October 31, 2016 and 2015, respectively. The carrying amount of goodwill as of October 31, 2016 and 2015, respectively are recorded below:

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL (Continued)

	2016	2015
Breakout of Goodwill:		
Coda Octopus Colmek, Inc.	\$ 2,038,669	\$ 2,038,669
Coda Octopus Products, Ltd	62,315	62,315
Coda Octopus Martech, Ltd	998,591	998,591
Coda Octopus Martech, Ltd (from Dragon Design Ltd Acquisition)	282,533	282,533
Total Goodwill	\$ 3,382,108	\$ 3,382,108

Considerable management judgment is necessary to estimate fair value of goodwill. We enlisted the assistance of an independent valuation consultant to determine the values of our intangible assets and goodwill at the dates of acquisition and by management for the dates thereafter.

Based on various market factors and projections used by management, actual results could vary significantly from management's estimates.

The Company's policy is to test its goodwill balances for impairment on an annual basis, in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The goodwill assets of the Company arise chiefly from the acquisition of two wholly owned subsidiaries that comprise the Company's services segments – Colmek and Martech. The goodwill impairment evaluation was conducted at the end of the financial year 2016 and management's opinion is that the carrying values are reasonable.

Based on these evaluations, the fair value of goodwill exceeds its carrying value. As such no impairment was recorded by management.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31, 2016 and 2015:

	2016	2015
Buildings	\$ 2,777,364	\$ 2,170,862
Land	200,000	200,000
Office machinery and equipment	1,679,207	1,868,514
Furniture, fixtures and improvements	812,807	855,574
Totals	5,469,378	5,094,950
Less: accumulated depreciation	(1,628,878)	(1,159,430)
Property and Equipment - Net	\$ 3,840,500	\$ 3,935,520

Depreciation expense for the years ended October 31, 2016 and 2015 was \$721,156 and \$312,150, respectively.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 5 - OTHER CURRENT ASSETS

Other current assets consisted of the following at October 31, 2016 and 2015:

	2016	2015
Deposits	\$ (349)	\$ 19,240
Other receivables	35,543	123,733
Value added tax (VAT) receivable	105,760	176,508
Total Other Current Assets	\$ 140,954	\$ 319,481

NOTE 6 – CAPITAL STOCK

Common Stock

The Company is authorized to issue 150,000,000 shares of common stock with a par value of \$0.001 per share.

During the year ended October 31, 2015, the Company issued 7,143 shares of our common stock to a non-executive director as remuneration for being a member of the Company's Board of Directors. These shares were valued at their approximate trading price of \$9,000 which was charged to operations.

On March 1, 2016, the Company issued 2,310,477 shares of its common stock to CCM Holdings, LLC to extinguish the \$3,558,136 terminal conversion premium which accrued under the Senior Secured Convertible Debentures.

On May 25 and June 16, 2016, the Company issued 28,572 shares to four members of the Board of Directors for their services performed as directors. These shares were valued at their approximate trading price of \$57,650 which was charged to operations.

On June 16, 2016 the Company issued an aggregate of 8,036 shares to two individuals for services rendered. These shares were valued at their approximate trading price of \$10,500 which was charged to operations.

On August 1, 2016 the Company issued 14,285 to two members of the Board of Directors for their services performed as directors. These shares were valued at their approximate trading price of \$30,580 which was charged to operations.

On August 25 and August 30, 2016 the Company issued an aggregate of 16,071 shares to two individuals for services rendered. These shares were valued at their approximate trading price of \$21,000 which was charged to operations.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 6 – CAPITAL STOCK (Continued)

Preferred Stock

The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001 per share. We have designated 50,000 preferred shares as Series A preferred stock and 50,000 preferred shares as Series C preferred stock. The remaining 4,900,000 shares of preferred stock are not designated.

Series A Preferred Stock

Pursuant to an Exchange Agreement concluded on June 30, 2015 between the Company and the Holder of 6,087 units of Series A Preferred, these units of Series A Preferred were cancelled, retired, and a new Series C preferred stock was created of which 1,100 units were issued, each unit having a stated value equal to \$1,000. Series C Preferred Stock is convertible by the Holder or the Company subject to the Conversion Conditions being met and, if not converted, are redeemable at a fixed price of \$1,100,000 on or before December 31, 2016 (See below).

On December 15, 2015 the Company purchased the 200 shares of Series A Preferred Stock that were outstanding at the end of the fiscal year ended October 31, 2015, for \$37,070 and these have been surrendered and retired.

As of the date of this report, the Company has no shares of Series A Preferred Stock outstanding and this class has been eliminated and the appropriate Certificate of Elimination has been filed in Delaware.

Series B Preferred Stock

On June 30, 2015, the Company cancelled the Series B Preferred Stock as a class.

Series C Preferred Stock

On or around June 30, 2015 the Company created a new class of Series C Preferred Stock.

The Series C Preferred stock has a par value of \$0.001 per share and a stated value equal to \$1,000. The Series C Preferred stock does not have any voting rights and no dividends are payable on these shares but the holder is entitled to receive value prior to holders of common stock in case of liquidating the Company. Series C Preferred Stock is convertible by the Holder or the Company subject to the Conversion Conditions being met and, if not converted, are redeemable at a fixed price of \$1,100,000 on or before December 31, 2016.

As of October 31, 2016 there are 1,100 shares of Series C Preferred Stock issued and outstanding. See Note 14 (Subsequent Events).

NOTE 7 - INCOME TAXES

The Company files federal income tax returns in the U.S. and state income tax returns in the applicable states on a consolidated basis. The Company's subsidiaries also file in the appropriate foreign jurisdictions as applicable, most notably the United Kingdom.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 7 - INCOME TAXES (Continued)

The Company is required to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. The Company has no significant unrecognized tax benefit during the years ended October 31, 2016 and 2015. The Company also estimates that the unrecognized tax benefit will not change significantly within the next twelve months.

There are no material tax positions included in the accompanying consolidated financial statements at October 31, 2016 and 2015 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company uses an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current income tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

For income tax reporting purposes, the Company's aggregate U.S. unused net operating losses approximate \$12,051,000 as of October 31, 2016, which expire beginning in 2026 through 2029, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The deferred tax asset related to the U.S. tax carry-forward is approximately \$4,699,900 as October 31, 2016. The Company has provided a valuation reserve against the full amount of the net operating loss benefit. For the years ended October 31, 2016 and 2015, respectively the Company had an Alternative Minimum Tax of \$65,129 and \$30,952 due.

For income tax reporting purposes, the Company's aggregate UK and Norway unused net operating losses approximate \$1,018,819 with no expiration. The deferred tax asset related to the UK and Norway tax carry-forwards is approximately \$142,635. The Company has provided a valuation reserve against a portion of the net operating loss benefit, because in the opinion of management which is based upon the earning history of the Company, it is more likely than not that the benefits allowed will not be fully realized. Those remaining and not allowed are recorded by the Company and are expected to be used in the near future.

Components of deferred tax assets as of October 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Net operating loss carry-forward benefit	\$ 4,842,535	\$ 6,777,151
Valuation allowance	<u>(4,746,161)</u>	<u>(6,813,114)</u>
Net deferred tax (liability) asset	<u>\$ 96,374</u>	<u>\$ (35,963)</u>

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 7 - INCOME TAXES (Continued)

The company did receive tax refunds, net of any benefits, in the amount of \$24,997 for financial purposes in one of its foreign subsidiaries as of the year ended October 31, 2015.

The Company did not incur any income tax expense for financial purposes in its U.S. entities and other foreign entities not included above, as we have been able to use net operating loss carry-forwards and other timing differences during the current and prior year to offset any tax liabilities in the various tax jurisdictions. The use of these income tax benefits in the current and prior year have been adjusted for and offset by a valuation allowance as noted above. The Company believes the future use and benefit of these tax assets is still uncertain and may not be realized.

The Company's income tax returns are subject to audit by taxing authorities for the years beginning November 1, 2011.

A reconciliation between the amounts of income tax benefit determined by applying applicable U.S. statutory tax rate to pre-tax income is as follows:

	<u>2016</u>	<u>2015</u>
Federal statutory rate of 35%	\$ 1,725,692	\$ 376,472
Alternative Minimum Tax	65,129	30,952
Foreign tax expense (benefit)	(141,374)	69,146
Use of NOL losses on consolidated tax returns	<u>(1,725,692)</u>	<u>(376,472)</u>
Total income tax expense (Benefit)	<u>\$ (76,245)</u>	<u>\$ 100,098</u>

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 8 - LOANS AND NOTES PAYABLE

Loans and notes payable consisted of the following at October 31, 2016 and 2015:

	2016	2015
<p>On February 21, 2008 the Company issued a convertible senior secured debenture with a face value of \$12million ("Secured Debenture"). The Secured Debenture under its original terms matured on February 21, 2015. The Secured Debentures term has been extended under a Deed of Amendment dated October 30, 2015 and the revised maturity date is November 1, 2017. The Secured Debentures accrues interest of 8.5% annually payable within 60 days of the end of the Company's financial quarters. The Company redeemed 20 Debentures (each having a face value of \$100,000) on or around September 18, 2014. The revised face value of the Debentures currently is \$8.6 million. During the term, the Secured Debenture is convertible into shares of our common stock, at the option of the Debenture holder, at a conversion price of \$1.05. We may also force the conversion of these Notes into our common stock after two years in the event that we obtain a listing on a national exchange and our stock price closes on 40 consecutive trading days at or above \$2.50 between the second and third anniversaries of this agreement; \$2.90 between the third and fourth anniversaries of this agreement; and \$3.50 after the fourth anniversary of this agreement or where the daily volume weighted average price of our stock as quoted on the Over The Counter Bulletin Board or any other US National Exchange on which our securities are then listed has, for at least 40 consecutive trading days closed at the agreed price. Balance includes principal, accrued interest and with respect to 2015, accrued terminal conversion balance. The terminal conversion premium in the amount of \$3,558,136 was converted into common stock as of January 31, 2016. This secured debenture is secured by all assets and undertakings of the company.</p>	\$ 9,744,123	\$ 14,940,258
<p>The Company has a 10 year secured mortgage for \$527,675, secured by a building in the UK that requires monthly principal payments of \$4,018 along with interest at 2.75%, and matures in October 2023. The conversion rate varies according to exchange rates fluctuations. This mortgage is secured by our building, located in Portland UK.</p>	281,801	412,792
<p>Total</p>	10,025,924	15,353,050
<p>Less: current portion</p>	(846,994)	(2,050,930)
<p>Total Long-Term Loans and Notes Payable</p>	\$ 9,178,930	\$ 13,302,120

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 8 - LOANS AND NOTES PAYABLE (Continued)

A reconciliation of the convertible senior secured debenture is as follows:

	<u>2016</u>	<u>2015</u>
Bond Principal	\$ 8,600,000	\$ 10,000,000
Accrued Interest	1,144,123	1,382,122
Accrued Terminal Conversion Premium **	<u>-</u>	<u>3,558,136</u>
Total Bond Payable	<u>\$ 9,744,123</u>	<u>\$ 14,940,258</u>

**The terminal conversion premium in the amount of \$3,558,136 was converted into common stock as of January 31, 2016.

Principal maturities as of October 31, 2016 are as follows:

<u>Years Ending October 31,</u>	<u>Amount</u>
2017	\$ 846,994
2018	8,991,117
2019	46,994
2020	46,994
2021	46,994
Thereafter	<u>46,831</u>
Totals	<u>\$ 10,025,924</u>

NOTE 9 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of foreign currency translation adjustments. Total other comprehensive income (loss) was \$(2,710,953) and \$474,685 for the years ended October 31, 2016 and 2015, respectively.

A reconciliation of the other comprehensive income (loss) in the stockholders' equity section of the consolidated balance sheets is as follows:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 373,516	\$ (101,169)
Total other comprehensive income (loss) for the year - foreign currency translation adjustment	<u>(2,710,953)</u>	<u>474,685</u>
Balance, end of period	<u>\$ (2,337,437)</u>	<u>\$ 373,516</u>

CODA OCTOPUS GROUP, INC.
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NOTE 10 - CONCENTRATIONS

Significant Customers

During the year ended October 31, 2016, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were \$8,016,453, or 38% of net revenues during the period. Total accounts receivable from these customers at October 31, 2016 were \$331,126 or 10% of accounts receivable.

During the year ended October 31, 2015, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were \$6,723,176, or 35% of net revenues during the year. Total accounts receivable from these customers at October 31, 2015 was \$617,066 or 30% of accounts receivable.

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Company's U.S. subsidiaries maintain a matching 401(k) retirement plan. The plan allows the Company to make matching contributions of 10 cents per dollar of employee contributions. U.S. employees who have at least nine months of service with the Company are eligible. In addition, the Company's UK subsidiaries operate pension schemes which provide for the payment of the full contribution by the Company. These schemes in the UK operate on a defined contribution money purchase basis and the contributions are charged to operations as they arise. Finally, the Company is obligated to provide pension funding according to Norwegian legislation for its subsidiary located in Norway. The Company has an arrangement that fulfills this requirement. Employee benefit costs for the years ended October 31, 2016 and 2015 were \$82,523 and \$75,695, respectively.

NOTE 12 - OPERATING LEASES

The Company occupies various office and warehouse facilities pursuant to both term and month-to-month leases. The leases expire at various times through February 28, 2017. The following schedule summarized the future minimum lease payments on the term operating leases:

<u>Years Ending October 31,</u>	<u>Amount</u>
2017	\$ 100,921
2018	<u>43,060</u>
Totals	<u>\$ 143,981</u>

Rent expense for the for the years ended October 31, 2016 and 2015, was \$279,072 and \$365,184, respectively

CODA OCTOPUS GROUP, INC.
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NOTE 13 - SEGMENT ANALYSIS

We are operating in two reportable segments, which are managed separately based upon fundamental differences in their operations. Coda Octopus Martech and Coda Octopus Colmek operate as contractors, and the balance of our operations are comprised of product sales.

Segment operating income is total segment revenue reduced by operating expenses identifiable with the business segment. Corporate includes general corporate administrative costs.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies.

There are inter-segment sales which have been eliminated in our financial statements but are disclosed in the tables below for information purposes.

The following table summarizes segment asset and operating balances by reportable segment for the years ended October 31, 2016 and 2015 respectively.

The Company's reportable business segments operate in three geographic locations. Those geographic locations are:

- * United States
- * Europe
- * Australia

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. There are inter-segment sales which have been removed upon consolidation and for the purposes of the information shown below.

Information concerning principal geographic areas is presented below according to the area where the activity has taken place for the years ended October 31, 2016 and 2015 respectively:

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
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NOTE 13 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Year Ended October 31, 2016				
Revenues from External Customers	\$ 10,584,141	\$ 10,534,178	\$ -	\$ 21,118,319
Cost of Revenues	3,081,892	5,383,430	-	8,465,322
Gross Profit	7,502,249	5,150,748	-	12,652,997
Research & Development	1,013,125	-	-	1,013,125
Selling, General & Administrative	2,848,809	2,785,195	467,223	6,101,227
Operating Income (Loss)	3,640,315	2,365,553	(467,223)	5,538,645
Other Income (Expense)				
Other Income	166,449	5,641	-	172,090
Interest (Expense) Income	(813,402)	(277,875)	234,845	(856,432)
Total other income (expense)	(646,953)	(272,234)	234,845	(684,342)
Income (Loss) before income taxes	2,993,362	2,093,319	(232,378)	4,854,303
Income tax refund (expense)	139,619	(39,783)	(23,591)	76,245
Net Income (Loss)	<u>\$ 3,132,981</u>	<u>\$ 2,053,536</u>	<u>\$ (255,969)</u>	<u>\$ 4,930,548</u>
Supplemental Disclosures				
Total Assets	\$ 11,649,606	\$ 10,883,182	\$ 302,732	\$ 22,835,520
Total Liabilities	1,381,048	1,019,074	10,280,885	12,681,007
Revenues from Intercompany Sales - eliminated from sales above	1,871,801	330,098	1,164,250	3,366,149
Depreciation and Amortization	503,327	293,219	12,831	809,377
Purchases of Long-lived Assets	736,982	(2,857)	12,470	746,595

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Notes to the Consolidated Financial Statements
October 31, 2016 and 2015

NOTE 13 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Year Ended October 31, 2015				
Revenues from External Customers	\$ 9,772,151	\$ 9,462,245	\$ -	\$ 19,234,396
Cost of Revenues	3,647,422	5,246,447	-	8,893,869
Gross Profit	6,124,729	4,215,798	-	10,340,527
Research & Development	998,270	-	-	998,270
Selling, General & Administrative	3,856,809	2,877,601	748,328	7,482,738
Operating Income (Loss)	1,269,650	1,338,197	(748,328)	1,859,519
Other Income (Expense)				
Other Income	358,609	117	82	358,808
Interest Expense	(503,909)	(285,319)	(255,678)	(1,044,906)
Unrealized gain on sale of investment in marketable securities	-	-	(3,031)	(3,031)
Total other income (expense)	(145,300)	(285,202)	(258,627)	(689,129)
Income (Loss) before income taxes	1,124,350	1,052,995	(1,006,955)	1,170,390
Income tax expense	(76,051)	(24,047)	-	(100,098)
Net Income (Loss)	<u>\$ 1,048,299</u>	<u>\$ 1,028,948</u>	<u>\$ (1,006,955)</u>	<u>\$ 1,070,292</u>
Supplemental Disclosures				
Total Assets	\$ 11,674,637	\$ 10,072,824	\$ 132,770	\$ 21,880,231
Total Liabilities	1,477,885	718,940	15,426,354	17,623,179
Revenues from Intercompany Sales - eliminated from sales above	2,665,615	629,629	1,150,997	4,446,241
Depreciation and Amortization	182,625	254,076	12,995	449,696
Purchases of Long-lived Assets	216,560	2,003,172	-	2,219,732

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NOTE 13 - SEGMENT ANALYSIS (Continued)

	USA	Europe	Australia	Total
External Revenues by Geographic Locations				
Year Ended October 31, 2016	\$ 11,116,336	\$ 8,398,768	\$ 1,603,215	\$ 21,118,319
Year Ended October 31, 2015	\$ 9,969,839	\$ 8,308,080	\$ 956,477	\$ 19,234,396

NOTE 14 - SUBSEQUENT EVENTS

1. On or around December 31, 2016 the Company redeemed the 1,100 units of Series C Preferred Stock in full (See Note 6). These shares have now been surrendered and cancelled.
2. On or around December 13, 2016 the Company paid off the secured mortgage described in Note 8 to these Financials. The mortgage has now been fully discharged.
3. On or around December 12, 2016 the Group CEO loaned one of the Subsidiaries \$1,000,000 for working capital. The loan has a term of one year and carries an interest rate of 4.5%.
4. The Company effected a one for fourteen reverse stock split of the Company's common stock. The reverse stock split became effective on January 11, 2017. The total number of common shares that Coda is authorized to issue remains at 150,000,000.

All share and per share balances have been retroactively restated to reflect this reverse stock split.