



Coda Octopus Group, Inc.

Quarterly Report

November 1, 2016 – January 31, 2017

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Company Information:

Symbol: COGI

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

Type of Report: FIRST QUARTER

Fiscal Year: 10/31

March 16, 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 (“SEC”) a Form 10 or similar disclosure document. We filed a Form 10 with the SEC on or around February 17, 2017.

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.

Reverse Stock split

On January 11, 2017, we effected a one for fourteen (1 for 14) reverse stock split of our issued and outstanding common stock. The total number of common shares that the Company is authorized to issue remains at 150,000,000. As of January 11, 2017, there were 127,415,895 shares of common stock outstanding. Effecting the 1 for 14 reverse split reduced that number to approximately 9,102,192 (which includes rounding made for the said split). All historical share numbers in this document have been adjusted retroactively to account for the reverse stock split.

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Item 1: Exact name of the issuer and address of its principal executive offices:

Coda Octopus Group, Inc.

Company Headquarters and Investors' Relations Contact

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Item 2: Shares Outstanding (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:	Quarter ended January 31, 2017	October 31,2016	October 31,2015
(ii) Number of shares authorized;	150,000,000	150,000,000	150,000,000
(iii) Number of shares outstanding*);	9,102,192	9,093,099	6,715,658
(iv) Freely tradable shares (public float)*);	2,853,511	2,852,536	2,852,536
(v) Total number of shareholders of record	292	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.

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

On or around November 8, 2016 we issued to two consultants an aggregate number of 8,036 shares of common stock valued at \$10,500 for services rendered.

Series A Preferred Stock

(i) Period end date:	Quarter ended 31 January, 2017	October 31, 2016	October 31, 2015
(ii) Number of shares authorized	None	None	5,000,000
(iii) Number of shares outstanding (See Note 6 to Financials)	-0-	-0-	200
(iv) Freely tradable shares (public float)	-0-	-0-	-0-
(v) Total number of beneficial shareholders	-0-	-0-	1
(vi) Total number of shareholders of record	-0-	-0-	1

Series C Preferred Stock

(i) Period end date:	Quarter ended 31 January, 2017	October 31, 2016	October 31, 2015
(ii) Number of shares authorized	5,000,000	5,000,000	5,000,000
(iii) Number of shares outstanding	-0-	1,100	1,100
(iv) Freely tradable shares (public float)	-0-	-0-	-0-
(v) Total number of beneficial shareholders	-0-	1	1
(vi) Total number of shareholders of record	-0-	1	1

On or around December 31, 2016, pursuant to the terms of the Certificate of Designation for Series C, the Company redeemed all shares of preferred stock within Series C for their face value (\$1,100,000) and the said shares were surrendered and cancelled. The Company has since filed a Certificate of Elimination of this category in the State of Delaware.

Item 3: Interim financial statements for the Quarter ended January 31, 2017

The unaudited interim financial statements for the Quarter ended January 31, 2017 are included at the end of this report

The unaudited interim financial statements for Coda Octopus Group, Inc. for the three months' periods ended January 31, 2017 and January 31, 2016 are included in this Quarterly Report at pages 19 through to 35. The financial statements contain:

1.	Condensed Consolidated balance sheet as of January 31, 2017 (unaudited) and October 31, 2016 (audited)
2.	Condensed Consolidated statements of operations and comprehensive income for the three months ended January 31, 2017 and January 31, 2016 (unaudited)
3.	Condensed Consolidated statements of changes in stockholders' equity for the three months ended January 31, 2017 (unaudited)
4.	Condensed Consolidated statements of cash flow for the three months ended January 31, 2017 and January 31, 2016 (unaudited)
5.	Notes to Condensed Consolidated financial statements (unaudited)

The unaudited condensed consolidated financial statements include the accounts of Coda Octopus Group, Inc., and our domestic and foreign subsidiaries of which all 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 unaudited 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 4: Management's discussion and analysis or plan of operation

Forward-Looking Statements

The information herein contains forward-looking statements. All statements other than statements of historical fact made herein are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," "anticipates," "projects," "expects," "may," "will," or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

Management Discussions on Results from our Operations for the three months ended January 31, 2017 (November 1, 2016 through to and including January 31, 2017)

A. General

Throughout these discussions, the following terminologies listed in the table immediately below are used and have the meanings ascribed to them in the said table.

<i>“Current Quarter”</i>	This refers to the quarter ended January 31, 2017 and covers the period November 1, 2016 through to and including January 31, 2017.
<i>“Previous Quarter”</i>	This refers to the quarter ended January 31, 2016 and covers the period November 1, 2015 through to and including January 31, 2016

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’ (2016 and 2015) the Marine Technology Business has generated closer to 50% of our overall revenues, with the Marine Engineering Business growing at a faster pace. In the Current Quarter the Marine Technology Business generated 46% of our reported revenues as compared to 63% in the Previous Quarter. The slower growth of revenues generated by our Products Segment is largely due to the contraction in the oil and gas (O&G) industry. This is further compounded by the depreciation of

sterling against the US Dollar, since we report our revenues in US Dollars and the depreciation results in lower revenues in our reporting currency (in the Current Quarter 66% of the revenues of the Marine Technology Business was transacted in sterling).

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 real time 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 our financial year ended in 2015 we secured the first sale of our Underwater Inspection System to a foreign port in Asia. This was followed by two additional sales for a value of approximately \$1,000,000 in the fiscal year 2016. 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 financial year ended 2016, 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 associated 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.

- 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 membership in the European Union. See below for recent steps we have started to take to mitigate some of the impact should there be a "hard Brexit" (in that, an exit arrangement which has no or limited access to the European Union markets);
- 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 38% of our revenues in the Current Quarter and 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. The continued uncertainty described in paragraph (d) above is likely to cause the continued decline in the value of sterling against the USD for the foreseeable future. See Note 3 of the Condensed Consolidated Unaudited Financial Statements regarding our Foreign Currency Translation Policy;
- 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. We have started putting together our strategy to mitigate some of these likely impacts;
- 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. In the Current Quarter the principal amount outstanding in respect of the Debentures is \$8,000,000. For further information see Note 10 of the Condensed Consolidation Unaudited Financial Statements. 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 49%) 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 and other major currencies. Additionally, a significant part of our supply chain for our UK Products business is sourced from outside of the UK. With the depreciation of the sterling against major currencies, this results in an increased cost in our raw materials and these increases are not easily passed on to our customers given that our key technology is already perceived as expensive.

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. It has been reported in the Financial Times 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 to \$1.25 for £1. We had a currency gain in the Current Quarter.

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", that is one which has no or limited 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.

It is widely anticipated that the UK Government will trigger Article 50 sometime in March 2017. The political climate in the UK is such that it is anticipated that there will be a "hard Brexit". In anticipation of mitigating some of the impact of this on the Company, on or around February 28, 2017 we established Coda Octopus Products A/S in Denmark (which is a member of the European Union). This is established as a wholly owned subsidiary of Coda Octopus Products Limited. Our CEO is the Managing Director of Coda Octopus Products A/S in Denmark.

B. Results of Operations for the three months ended January 31, 2017 ("Current Quarter") compared to the three months ended January 31, 2016 ("Previous Quarter")

Revenue: Total revenues for the Current Quarter and the Previous Quarter were \$5,358,203 and \$4,775,839 respectively, representing an increase of 12.2%. The increase in Revenues in the Current Quarter is a reflection of an increase in sales generated by our Services Segment. Although the Products Segment revenues in the Current Quarter have increased in pound terms, due to the depreciation of the

pound against the US Dollar, the reported US Dollar revenues for the Products Segment have declined by 18% while our Services Segment revenues have increased in the Current Quarter by 63% over the Previous Quarter. The US Dollar revenues generated in the Current Quarter by our UK Products Segment is US\$1,657,500 applying an average exchange rate of approximately 1.25. In the Previous Quarter the average exchange rate applied to the UK Products Segment revenues was \$1.47 and therefore the pound has declined by approximately 15% against the US Dollars over the two periods.

Gross Margins: Margins were stronger in the Current Quarter at 63.0% (gross profit of \$3,375,157) compared to 46.8% (gross profit \$2,234,689) in the Previous Quarter. The increase in our Gross Margins is a reflection of the mix of sales generated in the Current Quarter. In the Current Quarter, a significant part of our revenues was generated from rental of our real time 3D solution through our Products Segment and sale of equipment in our rental pool (which had previously been fully written down). Despite the increase in our Gross Margins, it should be noted that our reported revenues from our Products Segment have declined largely due to the significant depreciation of the pound against the USD. In pound terms, the Products Segment revenues have increased but have declined in US Dollar terms due to the devaluation of the pound against the US Dollar during the reporting period. See preceding paragraph for more information on this.

Research and Development (R&D). R&D expenditures in the Current Quarter were \$251,230 representing a 10.0% increase over the Previous Quarter, where these expenditures were \$228,300. This area of expenditures has increased in Current Quarter and is in line with our budgetary plans. In this connection, we expect this to increase further in this current year as we continue to invest 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. Furthermore, we may incur significant research and development expenditures without realizing viable products.

Selling, General and Administrative Expenses (SG&A). SG&A expenses for the Current Quarter decreased to \$1,405,888 from \$1,559,539 in the Previous Quarter, a reduction of 9.9%.

Key Areas of SG&A Expenditure across the Group for the Current Quarter compared to the Previous Quarter are:

Expenditure	January 31, 2017	January 31, 2016	Percentage Change
Wages and Salaries	\$984,412	\$1,099,083	Decrease of 10.4%
Legal and Professional Fees (including accounting, audit and investment banking services)	\$257,993	\$194,814	Increase of 32.4%
Rent for our various locations	\$19,449	\$118,635	Decrease of 83.6%
Marketing	\$64,813	\$19,417	Increase of 233.8%

Although in the Current Quarter we have realized a decrease in our SG&A expenditures, (which is largely due to a reduction in our expenditures on rent) we would expect the category of Legal and Professional Fees to increase to reflect the increased costs associated with returning to being a SEC Reporting Company under the Securities Exchange Act 1934. In this connection, the Company filed a Form 10 with the SEC on or around February 17, 2017. This will result in increased costs associated with this initial filing and ongoing maintenance of this status.

Operating Income. We had an operating income of \$1,718,039 in the Current Quarter against an operating income of \$446,850 in the Previous Quarter, making this an increase of 284.5%. This increase is largely due to an increase in revenues combined with a reduction in our direct costs of sales, resulting in an increase in our gross profit margins. We also had lower SG&A expenditures in the Current Quarter (although this category of expenditures is likely to increase over the current fiscal year due to the reasons disclosed immediately above) and our R&D expenditures will also increase significantly over the year to reflect the investments we are making in research and development of new products.

Interest Expense. Interest expense decreased by 14.7% in the Current Quarter to \$195,494 from the \$229,222 in the Previous Quarter. This is largely due to a reduction in the outstanding principal amount of the Senior Secured Convertible Debentures. On or around December 13, 2016 we paid off all loan amounts (an equivalent of USD 286,017) that were due under the mortgage that was registered against our business property located in Portland, United Kingdom. The security interest in respect of the property has since been released by the bank. This category of expenditures is likely to decrease going forward.

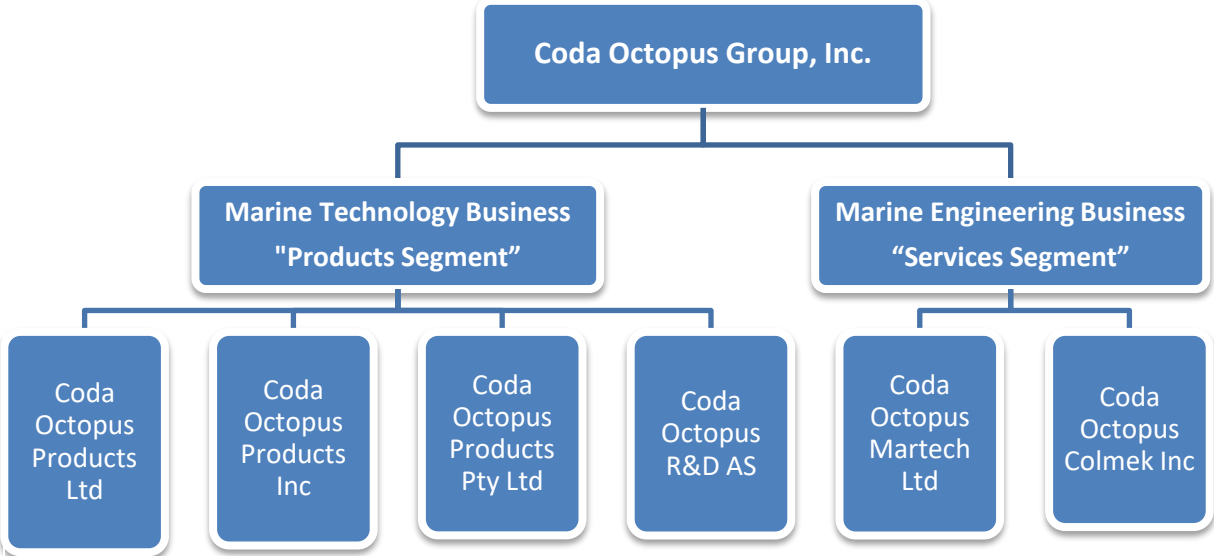
Other Income. In the Current Quarter, we had Other Income of \$49,416 as compared to \$71,892 in the Previous Quarter resulting in a decrease by 31.3%. This category is subject to fluctuations as it usually reflects Value Added Tax rebates in the UK operations and changes according to the level of purchases we make in the period from outside of the European Union.

Net Income. In the Current Quarter, we had Net Income of \$1,571,961 as compared to \$289,520 in the Previous Quarter representing an increase of 443.0% over the Previous Quarter. The increase in Net Income is largely due to the increase in sales and gross profit margins, reduction in SG&A expenditures and interest expense.

Comprehensive Income. In the Current Quarter, our Comprehensive Income was \$1,993,121 compared to a Comprehensive Loss in the Previous Quarter of \$(782,557). This is largely due to a significant loss on foreign currency translation adjustments in the Previous Quarter.

Segment Reporting three months ended January 31, 2017 compared to three months ended January 31, 2016

Due to the nature of our businesses, we are operating in two reportable segments, which are managed separately based upon fundamental differences in their operations.



Our Marine Technology Business sells its products and associated services to the O&G sector, offshore wind energy, dredging and marine construction, marine and port security, and marine sciences sectors. This Segment generated approximately 46% and 63% of our total revenues for the three months ended January 31, 2017 and January 31, 2016, respectively.

Our Marine Engineering Business largely sells its services into prime and second tier defense contractors and generated approximately 54% and 37% of our total revenues for the three months ended January 31, 2017 and January 31, 2016, respectively.

Segment Analysis

Segment operating income is total segment revenue reduced by operating expenses identifiable with the business segment. Overhead 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 in Note 2 to the Condensed Consolidated Unaudited Financial Statements.

See Note 13 of the Condensed Consolidated Unaudited Financial Statements which provide a break-out of the segments for the Current Quarter compared to the Previous Quarter.

C. Inflation and Foreign Currency.

The Company maintains its books in local currency: US Dollars, Pounds Sterling, Australian Dollars and Norwegian Kroner for its United States, United Kingdom, Australian and Norwegian operations, respectively.

The Company's operations are conducted in the United States, and through its wholly-owned subsidiaries, in the United Kingdom, Australia and Norway (and recently Denmark). As a result, fluctuations in currency exchange rates do significantly affect the Company's sales, profitability and financial position when the foreign currencies of its international operations are translated into U.S. dollars for financial reporting. In addition, we are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. The Company cannot predict the extent to which currency fluctuations may affect the Company's business and financial position, and there is a risk that such fluctuations will have an adverse impact on the Company's sales, profits and financial position. Also because differing portions of our revenues and costs are denominated in foreign currency, movements can impact our margins by, for example, decreasing our foreign revenues when the dollar strengthens without correspondingly decreasing our expenses. The Company does not currently hedge its currency exposure.

In the reporting period, the translation of the Company's UK operations' pound Sterling denominated balance sheets into US dollars has been affected by the weakening of the average value of the British pound against the US dollars in the relevant time periods from \$1.47 in 2016, to \$1.25 in 2017. These are the values that have been used in the calculations below. In the reporting period both the Australian Dollars and Norwegian Kroner strengthened against the US Dollars slightly.

The impact of these currency fluctuations on the three months ended January 31, 2017 is shown below:

	GBP		AUD		NOK		Total Effect
	Actual Results	Constant rates	Actual Results	Constant rates	Actual Results	Constant rates	
Revenues	2,065,192	2,432,289	592,611	577,722	48	46	(352,205)
Costs	(1,377,374)	(1,622,208)	(393,074)	(383,198)	(35,142)	(34,053)	233,869
Net Income (Losses)	687,818	810,081	199,537	194,524	(35,094)	(34,007)	(118,336)
Assets	10,175,897	11,515,524	789,439	737,769	29,237	27,769	(1,286,490)
Liabilities	(486,583)	(550,640)	(8,357)	(7,810)	(4,091)	(3,885)	63,305
Net Assets	9,689,314	10,964,884	781,082	729,960	25,146	23,883	(1,223,185)

This table shows that the effect of constant exchange rates, versus the actual exchange rate fluctuations, decreased profits for the Current Quarter by \$352,205 and decreased net assets by \$1,223,185. In addition, the Company booked transactional exchange rate losses of \$159,329 during the Current Quarter. All of these amounts are material to our overall financial results.

See Note 3 Notes to the Condensed Consolidated Unaudited Financial Statements for fuller information regarding our Foreign Currency Translation policy.

Item 5: Legal Proceedings

None

Item 6: Defaults upon senior securities

There are no current defaults on our existing senior securities. The Company is current in respect of its covenants and undertakings as they pertain to our senior securities.

Item 7: Other Information

1. Acquisition of New Office and Manufacturing Facility

Our flagship products business, Coda Octopus Products Limited conducts most of its operations in Edinburgh, Scotland. It currently operates over 3 independent premises, which does not facilitate efficiency or economies of scale. In order to consolidate our activities and accommodate fully our recently transitioned Production capability of our flagship real time 3D imaging sonar, on or around January 31,

2017 Coda Octopus Products Limited (a wholly owned subsidiary of the Company) acquired business premises which comprise manufacturing facilities, research and development space and offices. The purchase price of the property was the equivalent of \$1,512,280 and was paid for in cash. The property is situated in a business park close to Edinburgh Airport and Port Edgar and the Firth of Forth which is ideally located for conducting trials and demonstrations of our products. This new facility has 12,070 square feet of net internal space. This property will be reconfigured for our specific use and will take the Company around 4 months to achieve this. In the meantime, we continue to have our currently occupied premises. We intend to surrender the three properties which we currently utilize. We may incur one off costs for early termination associated with our lease agreement for our main offices in Edinburgh although we are trying to minimize these by seeking to sub-let for these premises.

2. Elimination of Series C Preferred Stock

Pursuant to the terms of the Certificate of Designation of the Company's Series C Preferred Stock, the Company redeemed 1,100 (representing all the shares of Series Stock in issue) for its face value of \$1,100,000 and cancelled this class of security and filed in the State of Delaware a Certificate of Elimination for this class of securities. As of the date of this report, there are no outstanding Preferred Stock.

3. Resignation of Directors

On or around January 16, 2017, one of our directors, Mr. Robert Ethrington, resigned from the Board of Directors. There are no adverse circumstances leading up to his resignation.

On or around March 8, 2017 Michael Hamilton, Chairman of our Board of Directors resigned as Chairman and Annmarie Gayle was appointed to this position. Michael Hamilton continues to serve on the Board of Directors and the Audit Committee.

On or around March 8, 2017 Blair Cunningham, Michael Midgley and Geoff Turner resigned from the Board of Directors.

There are no adverse circumstances leading to these resignations. The Company has filed a Form 10 with the Securities Exchange Commission and this is part of the process of the strengthening corporate governance by having more independent directors than inside directors.

4. Modification of Senior Secured Convertible Debentures Transaction Documents

On or around November 1, 2016, the Company and Debenture Holder entered into a Deed of Amendment under which the Parties agreed to the extension of the Final Maturity Date for the Debentures. This has now been extended from November 1, 2017 to May 1, 2018. This is conditional upon the Company keeping current in its obligations under the agreement.

Item 8: Exhibits

None

Item 9 Certifications of CEO and Acting CFO

I, Annmarie Gayle and Michael Midgley, certify that:

1. I have reviewed this quarterly disclosure statement for the period ending January 31, 2017 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.

March 16, 2017

/s/ Annmarie Gayle
Group CEO

/s/ Michael Midgley
Acting CFO



Coda Octopus

**Consolidated Financial Statements
For the Three Months Ended January 31, 2017 and 2016**

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CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
January 31, 2017 and October 31, 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS	Unaudited	
Cash and Cash Equivalents	\$ 4,112,930	\$ 5,601,767
Restricted Cash	-	13,694
Accounts Receivables , Net	1,902,218	3,274,204
Inventory	2,797,648	2,598,925
Unbilled Receivables	4,521,300	3,406,693
Other Current Assets	667,689	140,954
Prepaid Expenses	<u>146,726</u>	<u>112,884</u>
Total Current Assets	14,148,511	15,149,121
Fixed Assets		
Property and Equipment, net	5,361,581	3,840,500
Other Assets		
Deferred Tax Asset	99,413	96,374
Goodwill and Other Intangibles, net	<u>3,732,156</u>	<u>3,749,525</u>
	<u>3,831,569</u>	<u>3,845,899</u>
Total Assets	<u>\$ 23,341,661</u>	<u>\$ 22,835,520</u>

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
January 31, 2017 and October 31, 2016

LIABILITIES AND STOCKHOLDERS' EQUITY

	2017	2016
CURRENT LIABILITIES	Unaudited	
Accounts Payable, trade	\$ 1,130,106	\$ 1,396,475
Accrued Expenses and Other Current Liabilities	596,258	794,067
Loans and Note Payable, current	1,000,000	846,994
Deferred Revenues	421,540	464,541
Total Current Liabilities	3,147,904	3,502,077
LONG-TERM LIABILITIES		
Loans and Note Payable, long term	9,135,623	9,178,930
Total Liabilities	12,283,527	12,681,007
STOCKHOLDERS' EQUITY		
Preferred stock, Series C, \$.001 par value; 5,000,000 shares authorized, 0 and 1,100 issued and outstanding, as of January 31, 2017 and October 31, 2016, respectively	-	1
Common stock, \$.001 par value; 150,000,000 shares authorized, 9,102,192 and 9,094,156 shares issued and outstanding as of January 31, 2017 and October 31, 2016, respectively	9,102	9,094
Additional paid-in capital	51,715,948	52,805,455
Accumulated other comprehensive (loss)	(1,916,277)	(2,337,437)
Accumulated deficit	(38,750,639)	(40,322,600)
Total Stockholders' Equity	11,058,134	10,154,513
Total Liabilities and Stockholders' Equity	\$ 23,341,661	\$ 22,835,520

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Income and Comprehensive Income
For the Three Months Ended January 31, 2017 and 2016
Unaudited

	<u>2017</u>	<u>2016</u>
Net Revenues	\$ 5,358,203	\$ 4,775,839
Cost of Revenues	<u>1,983,046</u>	<u>2,541,150</u>
Gross Profit	3,375,157	2,234,689
OPERATING EXPENSES		
Research & Development	251,230	228,300
Selling, General & Administrative	<u>1,405,888</u>	<u>1,559,539</u>
Total Operating Expenses	<u>1,657,118</u>	<u>1,787,839</u>
INCOME FROM OPERATIONS	<u>1,718,039</u>	<u>446,850</u>
OTHER INCOME (EXPENSE)		
Other Income	49,416	71,892
Interest Expense	<u>(195,494)</u>	<u>(229,222)</u>
Total Other Expense	<u>(146,078)</u>	<u>(157,330)</u>
NET INCOME BEFORE INCOME TAXES	1,571,961	289,520
INCOME TAX (EXPENSE) BENEFIT	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 1,571,961</u>	<u>\$ 289,520</u>
NET INCOME PER SHARE:		
Basic	<u>\$ 0.17</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE SHARES:		
Basic	<u>9,101,493</u>	<u>6,741,330</u>
Diluted	<u>9,101,493</u>	<u>8,941,330</u>
NET INCOME	\$ 1,571,961	\$ 289,520
Other Comprehensive Income (Loss):		
Foreign currency translation adjustment	<u>421,160</u>	<u>(1,072,077)</u>
Total Other Comprehensive Income (Loss)	<u>421,160</u>	<u>(1,072,077)</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 1,993,121</u>	<u>\$ (782,557)</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 Three Months Ended January 31, 2017
Unaudited

	Preferred Stock Series C		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance, October 31, 2016 Audited	1,100	\$1	\$9,094,156	\$9,094	\$52,805,455	(\$2,337,437)	(\$40,322,600)	\$10,154,513
Stock Issued to Consultant	-	-	8,036	8	10,492	-	-	10,500
Redemption of Series C Preferred Stock	(1,100)	(1)	-	-	(1,099,999)	-	-	(1,100,000)
Foreign currency translation adjustment	-	-	-	-	-	421,160	-	421,160
Net Income	-	-	-	-	-	-	1,571,961	1,571,961
Balance, January 31, 2017 Unaudited	-	\$ -	9,102,192	\$ 9,102	\$ 51,715,948	\$ (1,916,277)	\$ (38,750,639)	\$ 11,058,134

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Cash Flows
For the Three Months Ended January 31, 2017 and 2016
Unaudited

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,571,961	\$ 289,520
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	176,399	179,165
Financing costs	-	(212,500)
Stock compensation	10,500	-
(Increase) decrease in operating assets:		
Accounts receivable	1,371,984	478,573
Inventory	(198,724)	570,165
Prepaid expenses	(33,842)	(64,991)
Unbilled receivables	(1,114,606)	620,789
Other assets	(526,736)	23,237
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	(464,175)	189,840
Deferred revenues	(43,000)	81,180
Net Cash Provided by Operating Activities	<u>749,761</u>	<u>2,154,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,680,111)	121,989
Restricted cash	13,695	864
Deferred tax asset	(3,039)	(3,210)
Net Cash (Used in) Provided by Investing Activities	<u>(1,669,455)</u>	<u>119,643</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) - loans and notes payable	109,697	(48,591)
Redemption of Series C preferred stock	(1,100,000)	-
Net Cash Used in Financing Activities	<u>(990,303)</u>	<u>(48,591)</u>
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH		
	<u>421,160</u>	<u>(1,072,077)</u>
NET (DECREASE) INCREASE IN CASH	(1,488,837)	1,153,953
CASH AT THE BEGINNING OF THE PERIOD	<u>5,601,767</u>	<u>6,310,694</u>
CASH AT THE END OF THE PERIOD	<u><u>\$ 4,112,930</u></u>	<u><u>\$ 7,464,647</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 203,994	\$ 425,000
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
January 31, 2017 and 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared based upon U.S. Securities and Exchange Commission rules that permit reduced disclosure for interim periods. Therefore, they do not include all information and footnote disclosures necessary for a complete presentation of Coda Octopus Group, Inc.'s financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Coda Octopus Group, Inc. (the Company, Coda Octopus, "we," or "us") filed audited consolidated financial statements as of and for the fiscal years ended October 31, 2016 and 2015 which included all information and notes necessary for such complete presentation in conjunction with its report on Form 10. The results of operations for the interim period ended January 31, 2017 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2016, which are contained in the Company's report on Form 10. The accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of January 31, 2017 and the results of operations, comprehensive income and cash flows for the interim periods ended January 31, 2017 and 2016. The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the US dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's UK-based operations are measured using the British Pound Sterling, Australian based operations are measured using Australian Dollars and Norwegian based operations are measured using Norwegian Kroner as the functional currencies. Foreign currency translation gains and losses are recorded as a change in other comprehensive income. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are also included in other comprehensive income.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's short term financial instruments consist of cash and cash equivalents, receivables, accounts payable and the line of credit. The Company adjusts the carrying value of financial assets and liabilities denominated in other currencies such as cash, receivables, accounts payable and the lines of credit using the appropriate exchange rates at the balance sheet date. The Company believes that the carrying values of these short term financial instruments approximate their estimated fair values.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 3 – FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of the Company’s foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of operations denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted average exchange rates during the year. The resulting translation gains and losses on assets and

liabilities are recorded in accumulated other comprehensive income (loss), and are excluded from net income until realized through a sale or liquidation of the investment.

NOTE 4 - INVENTORY

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

	January 31, 2017	October 31, 2016
Raw materials and parts	\$ 1,894,974	\$ 1,734,798
Work in progress	261,849	88,682
Demo goods	457,398	324,752
Finished goods	183,428	450,693
Total Inventory	<u>\$ 2,797,648</u>	<u>\$ 2,598,925</u>

NOTE 5 – OTHER CURRENT ASSETS

Other current assets consisted of the following at January 31, 2017 and October 31, 2016:

	2017	2016
Deposits	\$ 50,278	\$ (349)
Other receivables	261,585	35,543
Value added tax (VAT) receivable	355,827	105,760
Total Other Current Assets	<u>\$ 667,689</u>	<u>\$ 140,954</u>

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 6 – 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.

NOTE 7 – CONTRACTS IN PROGRESS

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 \$4,521,300 and \$3,406,693 as of January 31, 2017 and October 31, 2016, respectively.

Our Deferred Revenue of \$421,540 and \$464,541 as of January 31, 2017 and October 31, 2016, 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 as of January 31, 2017 and October 31, 2016, 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, and Through Life Support with these amounts amortized over 12 months, our stated warranty period, from the date of sale and 60 months for Through Life Support. These amounts are stated on the balance sheets as a component of Deferred Revenue of \$421,540 and \$464,541 as of January 31, 2017 and October 31, 2016, respectively.

NOTE 8 - CONCENTRATIONS

Significant Customers

During the three months ended January 31, 2017, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were \$1,935,662, or 36% of net revenues during the period. Total accounts receivable from these customers at January 31, 2017 were \$129,969 or 7% of accounts receivable.

During the three months ended January 31, 2016, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were \$1,539,725, or 32% of net revenues during the period. Total accounts receivable from these customers at January 31, 2016 was \$186,111 or 12% of accounts receivable.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 9 – LOANS AND NOTES PAYABLE

Loans and notes payable consisted of the following at January 31, 2017 and October 31, 2016:

	2017	2016
On February 21, 2008 the Company issued a convertible senior secured debenture with a face value of \$12 million (“Secured Debentures”). The Secured Debentures under its original terms matured on February 21, 2015 and has been subject to a series of extension. The Latest Deed of Amendment extends the Maturity Date to May 1, 2018. The Secured Debentures attracts interest of 8.5% annually and this is payable sixty days after the end of the Company’s financial quarter. Since the date of issuance of the Secured Debentures the Company has redeemed 40 Debentures (each having a face value of \$100,000). The current face value of the Secured Debentures is \$8 million. The Secured Debentures had Terminal Conversion Balance of \$3,558,136. This amount was converted into the Company’s common stock as of January 31, 2016. 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 \$14.70. 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 \$35.00 between the second and third anniversaries of this agreement; \$40.60 between the third and fourth anniversaries of this agreement; and \$49.00 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. This secured debenture is secured by all assets and undertakings of the company and is held by a shareholder which controls approximately 22.5% of the issued and outstanding common stock of the Company.	\$ 9,135,623	\$ 9,744,123
One of the subsidiaries has a working capital loan from the CEO of the Group for working capital. The note is due on November 1, 2017 and carries an interest rate of 4.5%	1,000,000	-
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 was due to mature in October 2023. The conversion rate varies according to exchange rates fluctuations. This mortgage is secured by our building, located in Portland UK. This mortgage was paid in full on December 13, 2016.	-	281,801
Total	10,135,623	10,025,924
Less: current portion	(1,000,000)	(846,994)
Total Long-Term Loans and Notes Payable	\$ 9,135,623	\$ 9,178,930

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 10– ACCUMULATED OTHER COMPREHENSIVE INCOME

	2017	2016
Balance, beginning of year	\$ (2,337,437)	\$ 373,516
Total other comprehensive income (loss) for the year - foreign currency translation adjustment	421,160	(2,710,953)
Balance, end of period	\$ (1,916,277)	\$ (2,337,437)

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

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 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 have evaluated the effects of this updated standard and determined that it will not have a significant impact on our consolidated financial statements and related disclosures.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 11– RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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.

NOTE 12 – EARNINGS PER COMMON SHARE

Fiscal Period	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016
Numerator:		
Earnings from Continuing Operations	\$ 1,571,961	\$ 289,520
Denominator:		
Basic weighted average common shares outstanding	9,101,493	6,741,330
Conversion of Series C Preferred Stock	-	2,200,000
Diluted outstanding shares	9,101,493	8,941,330
Earnings from continuing operations		
Basic	\$ 0.17	\$ 0.04
Diluted	\$ 0.17	\$ 0.03

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

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 three months ended January 31, 2017 and 2016 respectively.

The Company's reportable 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 has taken place for the three months ended January 31, 2017 and 2016 respectively:

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 13 – SEGMENT ANALYSIS (continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Three Months Ended January 31, 2017				
Revenues from External Customers	\$ 2,450,599	\$ 2,907,604	\$ -	\$ 5,358,203
Cost of Revenues	730,020	1,253,025	-	1,983,046
Gross Profit	1,720,578	1,654,579	-	3,375,157
Research & Development	251,230	-	-	251,230
Selling, General & Administrative	574,648	686,411	144,829	1,405,888
Operating Income (Loss)	894,701	968,168	(144,829)	1,718,039
Other Income (Expense)				
Other Income	49,416	-	-	49,416
Interest Expense	(350,334)	(124,221)	279,061	(195,494)
Total other income (expense)	(300,918)	(124,221)	279,061	(146,078)
Income before income taxes	593,783	843,947	134,232	1,571,961
Income tax refund (expense)	-	-	-	-
Net Income	\$ 593,783	\$ 843,947	\$ 134,232	\$ 1,571,961
Supplemental Disclosures				
Total Assets	\$ 10,586,262	\$ 12,249,349	\$ 506,050	\$ 23,341,661
Total Liabilities	843,107	1,716,788	9,723,632	12,283,527
Revenues from Intercompany Sales - eliminated from sales above	172,853	59,899	118,875	351,627
Depreciation and Amortization	101,463	71,725	3,211	176,399
Purchases of Long-lived Assets	1,645,460	22,181	12,470	1,680,111

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 13 – SEGMENT ANALYSIS (continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Three Months Ended January 31, 2016				
Revenues from External Customers	\$ 2,991,622	\$ 1,784,217	\$ -	\$ 4,775,839
Cost of Revenues	1,360,503	1,180,647	-	2,541,150
Gross Profit	1,631,119	603,570	-	2,234,689
Research & Development	228,300	-	-	228,300
Selling, General & Administrative	652,485	785,323	121,731	1,559,539
Operating Income (Loss)	750,334	(181,753)	(121,731)	446,850
Other Income (Expense)				
Other Income	65,917	5,975	-	71,892
Interest Expense	(171,186)	(57,328)	(708)	(229,222)
Total other income (expense)	(105,269)	(51,353)	(708)	(157,330)
Income (Loss) before income taxes	645,065	(233,106)	(122,439)	289,520
Income tax refund (expense)	-	-	-	-
Net Income (Loss)	\$ 645,065	\$ (233,106)	\$ (122,439)	\$ 289,520
Supplemental Disclosures				
Total Assets	\$ 11,474,041	\$ 8,981,178	\$ 649,179	\$ 21,104,398
Total Liabilities	1,447,232	922,675	11,701,859	14,071,766
Revenues from Intercompany Sales - eliminated from sales above	134,392	170,948	125,125	430,465
Depreciation and Amortization	84,457	91,354	3,354	179,165
Purchases of Long-lived Assets	(153,962)	31,973	-	(121,989)

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2017 and 2016

NOTE 13 – SEGMENT ANALYSIS (continued)

	USA	Europe	Australia	Total
External Revenues by Geographic Locations				
Three Months Ended January 31, 2017	\$ 2,749,767	\$ 2,017,036	\$ 591,399	\$ 5,358,203
Three Months Ended January 31, 2016	\$ 1,664,421	\$ 2,646,728	\$ 464,690	\$ 4,775,839

NOTE 14 – ACQUISITION OF NEW OFFICE AND MANUFACTURING FACILITY

Our flagship products business, Coda Octopus Products Limited conducts most of its operations in Edinburgh, Scotland. It currently operates over 3 independent premises, which does not facilitate efficiency or economies of scale. In order to consolidate our activities and accommodate fully our recently transitioned Production capability of our flagship real time 3D imaging sonar, on or around January 31, 2017 Coda Octopus Products Limited (a wholly owned subsidiary of the Company) acquired business premises which comprise manufacturing facilities, research and development space and offices. The purchase price of the property was the equivalent of \$1,512,280 and was paid for in cash. The property is situated in a business park close to Edinburgh Airport and Port Edgar and the Firth of Forth which is ideally located for conducting trials and demonstrations of our products. This new facility has 12,070 square feet of net internal space. This property will be reconfigured for our specific use and will take the Company around 4 months to achieve this. In the meantime, we continue to have our currently occupied premises. We intend to surrender the three properties which we currently utilize. We may incur one off costs for early termination associated with our lease agreement for our main offices in Edinburgh although we are trying to minimize these by seeking to sub-let for these premises.

NOTE 15 - SUBSEQUENT EVENT

Subsequent events were evaluated through March 15, 2017.

On or around March 8, 2017 Michael Hamilton, Chairman of our Board of Directors resigned as Chairman and Annmarie Gayle was appointed to this position. Michael Hamilton continues to serve on the Board of Directors and the Audit Committee. The Board is being restructured to reflect the SEC requirements as we return to SEC reporting.

On or around March 8, 2017 Blair Cunningham, Michael Midgley and Geoff Turner resigned from the Board of Directors. The Board is being restructured to reflect the SEC requirements as we return to SEC reporting.

On February 6, 2017, the Company cancelled its Series C preferred stock.