



Coda Octopus Group, Inc.

Quarterly Report

February 1, 2012 – April 30, 2012

Address:

4020 Kidron Road
Suite #3
Lakeland
Florida 33811
Phone: + 1 801 973 9136
Fax: + 1 801 973 9285
Symbol: CDOC

June 15, 2012

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;
- 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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Item 1: The exact name of the issuer and the address of its principal executive offices.

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

The Issuer's trading symbol on the Pink Sheets is CDOC.PK

Its predecessor is The Panda Project, Inc.

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

4020 Kidron Road
Suite #3
Lakeland
Florida 33811
Phone: + 1 801 973 9136
Fax: + 1 801 973 9285
Email: info@codaoctopusgroup.com
<http://group.codaoctopus.com>

Item 2: Shares outstanding.

Securities outstanding: Common stock.

Trading symbol: CDOC

CUSIP: 19188U 10 7

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:	June 15, 2012	April 30, 2012	October 31, 2011	October 31, 2010
(ii) Number of shares authorized;	150,000,000	150,000,000	150,000,000	150,000,000
(iii) Number of shares outstanding;	74,439,660	74,439,660	74,339,665	60,614,958
(iv) Freely tradable shares (public float);	34,903,953	34,903,953	30,808,764	19,054,098
(v) Total number of shareholders of record	296	296	300	401

Series A Preferred Stock

(i) Period end date:	June 15, 2012	April 30, 2012	October 31, 2011	October 31, 2010
(ii) Number of shares authorized;	5,000,000	5,000,000	5,000,000	5,000,000
(iii) Number of shares outstanding;	6,287	6,287	6,287	6,287
(iv) Freely tradable shares (public float);	-0-	-0-	-0-	-0-
(v) Total number of beneficial shareholders	5	5	5	5
(vi) Total number of shareholders of record	5	5	5	5

Item 3: Interim financial statements.

Unaudited interim financial statements for Coda Octopus Group, Inc. for the period ended April 30, 2012 are included in this Quarterly Report at pages 16 through to 19 inclusive. The unaudited financial statements contain:

1.	Condensed consolidated statements of operations and comprehensive income (loss) for the six months ended April 30, 2012 (Unaudited) and 2011 (Unaudited)
2.	Condensed consolidated balance sheet as of April 30, 2012 (Unaudited) and October 31, 2011 (Unaudited);
3.	Condensed consolidated statement of stockholders' deficit for the six months ended April 30, 2012 (Unaudited)
4.	Condensed consolidated statements of cash flow for the six months ended April 30, 2012 (Unaudited) and 2011 (Unaudited); and
5.	Notes to consolidated financial statements (Unaudited).

The unaudited consolidated financial statements include the accounts of Coda Octopus and its domestic and foreign subsidiaries that are more than 50% owned and controlled. 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 discussion and analysis of financial condition and results of operations

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 unaudited 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.

General Overview

Coda Octopus Group, Inc., (“the Company”, “we”, “us”, “our Group”) has its headquarters in Lakeland, Florida with operating subsidiaries and research and development facilities in USA, UK and Norway respectively. The Group has subsea expertise and through its marine operations develops and manufactures various subsea products including its patented technology the Echoscope® which is a real time 3D sonar product. In addition, we have engineering operations (located in England and the USA) which are suppliers to defense prime and sub-prime contractors.

Recent Developments

Our Group has been the subject of restructuring since October 2009.

Since the Group became a public company trading on the Pink Sheet in 2004 and moved its headquarters to New York in 2005, it had reported continuing and significant losses.

A new senior management and board were put in place in September 2009 to address the losses, other historical problems of the Group and to ensure its continuity as a going concern. Since September 2009, the focus and strategy of the new management has been to restructure the Group by (i) negotiating the removal of certain barriers to new investments that were contained in a series of securities purchase agreements; (ii) reducing the Group’s cost base significantly; (iii) simplifying the Group structure; (iv) restructuring some of the Group’s debts; and (v) taking the business to sustainable growth and profitability.

In respect of its cost reduction strategy, the new management focused initially on stripping out the costs associated with having an extended New York administrative center (including the rent and salaries of the then senior management that was based in New York). Closing the New York administrative center resulted in approximately \$1,200,000 per annum savings in salaries associated with our headquarters operations. We have drastically reduced the number of headquarters employees and consultants and have now co-located our headquarters with our US marine technology operational arm, Coda Octopus Products, Inc. in Lakeland, Florida.

The Selling, General and Administrative (“SG&A”) expenses of the Group have been gradually brought down to a level which positions the Group’s operations to be viable and profitable. As we cautiously increase sales and marketing staff and launch new products based on our patented technology, we envisage SG&A of the Group will continue to be under \$6,000,000 compared to:

<u>Fiscal year – November 1 – October 31</u>	<u>SG&A</u>	<u>Revenues</u>	<u>SG&A / Revenues</u>
2007/08(Audited) – Full Fiscal Year	\$13.2m	\$17.0m	78%
2008/09 (Audited) – Full Fiscal Year	\$11.2m	\$13.2m	85%
2009/10 (Unaudited) – Full Fiscal Year	\$7.7m	\$11.5m	67%
2010/11 (Unaudited) – Full Fiscal Year	\$5.3m	\$15.7m	34%
2011/2012 (Unaudited) – Six Months ended April 30, 2012	\$2.4m	\$9.6m	25%

Initially the new management was faced with a Group which, besides SG&A approximating closely to revenues, had (as at October 2009) Accumulated Payables and Accrued Expenses and Other Current Liabilities of \$7,016,203. This was made up of \$4,626,164 of accrued expenses and other current liabilities, which included provision for settlement of a number of disputes and other matters, and \$2,390,039 of payables. This figure was a threat to the Group's continued existence and required us, over the restructuring period to, amongst other things, consensually reschedule some of the Group's liabilities with its creditors, particularly in Coda Octopus Martech Limited and to use most of the income generated in the course of business to satisfy these.

As of April 30, 2012 we have managed to reduce the \$4,626,164 of Accrued Expenses and Other Current Liabilities to \$986,974, a reduction of 79%, whilst the Payables are at \$2,369,643. This includes approximately \$350k of large purchases associated with product deliveries and is at a level now in line with the increased sales. As of April 30, 2012 the remaining items within our Accrued Expenses and Other Current Liabilities comprise ordinary and current items such as employee accruals and provision for taxes and other matters accrued during the ordinary course of our business.

A key achievement of our restructuring has been to reschedule in October 2010 certain liabilities of our wholly owned subsidiary Coda Octopus Martech Limited ("Martech"). Under this arrangement \$945,000 was consensually rescheduled over a four year period. As of April 30, 2012, Martech has paid approximately \$405,000, thus reducing the balance outstanding under this arrangement to approximately \$540,000. Martech pays approximately \$200,000 per year. As of the date of this report, Martech is current under this arrangement, and will need to keep current to avoid adverse consequences.

Since February 21, 2008 our Balance Sheet also includes a \$12 million convertible secured debt ("Debt") in favor of Greenhouse Investments Limited (now assigned to Solidor Investments Limited). Under the terms of the Secured Loan Agreement relating to the Debt, the Company has an obligation to pay coupon of 8.5%, payable bi-annually. A primary focus of our restructuring has been to rehabilitate our income statement in such a way as to reach a level where the annual coupon obligations associated with this Debt are serviceable. Current revenues and costs levels of the Group are in keeping with the

obligations of servicing this Debt. As of April 30, 2012, the principal Debt amount plus accrued and unpaid interest amounted to \$15,363,643.

With this level of debt, the failure to maintain our SG&A costs at around \$6 million per annum and achieve revenues in excess of \$16m per annum would threaten our ability to sustain our profitability going forward.

Results from Operations

Comparison of the Six Months Ended April 30 2012 to the Six Months Ended April 30, 2011

Revenues for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Revenues for the Six Months ended April 30, 2012*)	Percentage Change	Revenues for the Six Months ended April 30, 2011*)
\$9,625,426	Increase of 42.0% (“Increase”)	\$6,780,806

*) Unaudited

We believe that the Increase in revenues shown above is due to a number of factors including:

- We are generally seeing an uptake in demand for our patented real time 3D sonar product, the Echoscope® and the Underwater Inspection System (UIS™) in the market place;
- Following the restructuring which commenced in 2009 and the reduction in our SG&A expenditure, there is more cash available to convert our order book to revenues.

Gross Margins for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Margins for the Six Months ended April 30, 2012*)	Margins for the Six Months ended April 30, 2011*)
49.3%	50.8%
(gross profit of \$4,748,191)	(gross profit of \$3,446,262)

*) Unaudited

This reduction in Gross Margin percentage over the year reflected a different mix of sales in our businesses. However, it is notable that in this Quarter Gross Margins have increased over the Gross Margin report in the first Quarter of this fiscal year, which was 46.6% as compared to 49.3% in this reporting Quarter. As part of our continued restructuring and focus on corporate governance we expect to achieve better terms with our suppliers through volume ordering and more orderly supply chain management. We expect this to bring further benefits during the second half of Fiscal Year 2012 and into 2013 and beyond in the Marine Products business, along with improved margins in the engineering businesses due to reduced material costs.

Research and Development (R&D) for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

R&D costs for the Six Months ended April 30, 2012*)	Percentage Change	R&D costs for the Six Months ended April 30, 2011*)
\$640,844	Reduction of 21.0% ("Reduction")	\$811,321

*) Unaudited

The Reduction in our R&D spending is consistent with the reductions we have made during our restructuring of the Group. The management would expect to see an increase in R&D in the coming months reflecting further investments in product development, where we have recently announced a new range of patented real-time 3D sonar products ("the Dimension") aimed at the Remotely Operated Vehicle (ROV) market, technology advancement and the continued investment in our production capabilities.

Selling, General and Administrative Expenses (SG&A) for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

SG&A for the Six Months ended April 30, 2012*)	Percentage Change	SG&A for the Six Months ended April 30, 2011*)
\$2,403,128	Reduction of 11.2% ("Reduction")	\$2,705,527

*) Unaudited

The Reduction in SG&A reflects activity under the cost reduction plan that has been executed between 2009 and 2011. During fiscal year 2012 the Company has started to increase modestly some of its costs, particularly in the areas of sales and marketing, in order to support and exploit the increasing interest we are seeing in our products and services and, in addition, the marketing costs associated with launching a new product.

Key Areas of SG&A and R&D Expenditure across the Group for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Expenditure	April 30, 2012*)	Percentage Change	April 30, 2011*)
Wages and Salaries	\$1,858,856	Reduction of 16.1%	\$2,216,840
Legal and Professional Fees (including accounting, audit and investment banking services)	\$272,622**)	Reduction of 19.1%	\$336,838
Travel Costs	\$44,112	Reduction of 65.7%	\$128,519
Rent and office costs for our various locations	\$332,589	Reduction of 7.2%	\$358,586
Marketing	\$149,670	Increase of 197.2%	\$50,359

*) Unaudited

**) We would expect that we will increase our spending in both the categories of Legal and Professional Fees significantly at the end of the year when we anticipate the resumption of the auditing of our consolidated financial statements and also in the category of marketing to reflect the costs of launching a new product anticipated in this fiscal year.

The management anticipates going forward that we continue to prudently reinvest in some of these areas, such as sales and marketing, as we have in the last Quarter where we took a major presence at Oceanology International Exhibition (London) in March, and which will probably also involve selectively increasing other areas of expenditure, such as travel costs. We would also anticipate our legal and professional fees increasing as we become fully audited again, probably at the end of this Fiscal Year. These figures are therefore likely to increase in the fiscal years 2012 and 2013.

Operating Income and/or Loss for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Operating Income for the Six Months ended April 30, 2012*)	Percentage Change	Operating Loss for the Six Months ended April 30, 2011*)
\$1,704,219	--	(\$70,586)

*) Unaudited

This turnaround is attributable to the change in strategy for the Group including the restructuring of the business under which SG&A was reduced over time, and an increase in sales of our real-time 3D sonar product, the Echoscope® and its derivative products such as the Underwater Inspection System (UIS™).

Other Income for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Other Income for the Six Months ended April 30, 2012*)	Percentage Change	Other Income for the Six Months ended April 30, 2011*)
\$595,042	Increase of 230.4%	\$180,079

*) Unaudited

Our income statement contains unusually high amounts relating to Other Income. We anticipate a large portion of the Other Income will be non-recurring going forward. These amounts result largely from our restructuring during the fiscal years 2010 and 2011 under which we realized certain reductions of our commitments under various arrangements and for which higher amounts were provided for in our income statements for prior periods. Our expectation is that Other Income will reduce to approximately \$150,000 or less per annum going forward

Interest Expense for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Interest Expense for the Six Months ended April 30, 2012*)	Percentage Change	Interest Expense for the Six Months ended April 30, 2011*)
\$901,227	Decrease of 0.8 %	\$908,067

*) Unaudited

In both periods we have included amortization of the 30% redemption premium for our convertible debenture.

Net Income or Loss for the Six Months ended April 30, 2012 compared to the Six Months ended April 30, 2011

Net Income for the Six Months ended April 30, 2012*)	Percentage Change	Net Loss for the Six Months ended April 30, 2011*)
\$1,380,723	-	(\$463,062)

*) Unaudited

So far this year we have also recorded a positive cash flow from operations of \$576,925. This turnaround is attributable to the change in strategy for the Group including the restructuring of the business between 2009 and 2011 under which SG&A was reduced over time, and an increase in sales of our real-time 3D sonar product, the Echoscope® and its derivative products such as the Underwater Inspection System (UIS™).

It is the management's belief that if the Company is to remain profitable going forward, we will need to achieve revenues from our operations in excess of \$16m. We will also need to maintain our SG&A expenditures at around the \$6m level or less.

Inflation and Foreign Currency.

The Company maintains local currency as follows: US Dollars for the parent holding Company in the United States of America and the US operations, Pounds Sterling for UK operations and Norwegian Kroner for Norwegian operations.

The Company's operations are split between the United States and United Kingdom through its wholly-owned subsidiaries, with a significant proportion of revenues and costs incurred outside the USA. As a result, fluctuations in currency exchange rates may 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. We are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. Although the Company cannot predict the extent to which currency fluctuations may, or will, affect the Company's business and financial position, there is a risk that such fluctuations will have an adverse impact on the Company's sales, profits and financial position. As differing portions of our revenues and costs are denominated in foreign currency, movements could impact our margins, by example, decreasing our foreign revenues when the US Dollar strengthens and not correspondingly decreasing our expenditures. The Company does not currently hedge its currency exposure. In the future, we may engage in hedging transactions to mitigate foreign exchange risks.

During the Six Months Ended April 30, 2012, a summary of our material foreign currency transactions include:

	UK £	\$	NKr	\$	Total \$
Revenues from foreign subsidiary	4,201,196	6,621,086	0.00	0.00	6,621,086
Direct Costs of foreign subsidiaries	2,669,147	4,206,576	438,666	75,801	4,282,378

The prevailing exchange rates during the Six Months Ended April 30, 2012 ranged between \$1.5387 and \$1.6207 for Pound Sterling and between \$0.1658 and \$0.1791 for the Norwegian Kroner for the same period. The above are calculated at \$1.5760 and \$0.1728 and are the average exchange rates over the reporting period.

It is the opinion of the Company that inflation has not had a material effect on its operations.

Dividends and Other Stock Charges.

No dividends were paid on the Series A Preferred stock in the period, nor were there any paid in the prior year.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements in the Group that are material, nor were there in the prior year.

Item 5: Legal Proceedings.

There are no legal proceedings in progress within the Group at the date of this filing.

Item 6: Defaults upon Senior Securities.

None

Item 7: Other Information.

In May 2012, Dr. Rolf Kahrs Hansen resigned from the Board of Directors to exploit his Sleep Apnea Technology. Dr. Hansen remains the Company's exclusive subsea expert under a consultancy agreement and continues to be involved in our new generation of 3D products. In May 2012 Blair Cunningham was appointed to the Board of Directors and as the Company's President of Technology.

During the reporting period Greenhouse Investments Limited assigned all its rights in the \$12m debentures to Solidor Investments Limited (Solidor). Under the terms of the assignment, the beneficial interest in the shares of common stock in Coda Octopus Group Inc. which were held by Greenhouse at the date of the assignment (23,576,986) has also been transferred to Solidor. As a result of the transfer of the beneficial interest in the shares of common stock to Solidor by Greenhouse Investments Limited, at the date of this report, Solidor is the beneficial owner of more than 5% of the Company's common stock.

Item 8: Exhibits

There are no arrangements or contracts made that are out of the normal course of business.

Item 9: Issuer's Certifications.

I, Annmarie Gayle, certify that:

1. I have reviewed this Quarterly Report for the Three Months Ended April 30, 2012 of Coda Octopus Group, Inc.;
2. Based on my knowledge, this Quarterly Report 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 Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the period presented in this Quarterly Report.

Date: June 15, 2012

/s/ Annmarie Gayle
Group CEO

CODA OCTOPUS GROUP, INC.

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Condensed consolidated statements of operations and comprehensive loss/gain
for the Three and Six Months ended April 30, 2012 (Unaudited) and 2011 (Unaudited)

Coda Octopus Group, Inc

Consolidated Accounts

<u>Income Statement</u>	<u>Three Months Ended April 30th, 2012</u>	<u>Three Months Ended April 30th, 2011</u>	<u>Six Months Ended April 30th, 2012</u>	<u>Six Months Ended April 30th, 2011</u>
Net Revenue	5,503,359	3,192,248	9,625,426	6,780,806
Cost of Revenue	2,675,975	1,585,178	4,877,235	3,334,544
Gross Profit	2,827,384	1,607,070	4,748,191	3,446,262
Research & Development	284,080	392,423	640,844	811,321
Selling, General & Administrative	1,339,673	925,377	2,403,128	2,705,527
Operating Income/Loss	1,203,630	289,270	1,704,219	(70,586)
Other Income (Expense)				
Other Income	197,268	141,979	595,042	180,079
Interest Expense	(439,046)	(488,948)	(901,227)	(908,067)
Gain (loss) on change in fair value of derivative liability	(17,558)	63,308	(17,311)	337,212
Unrealized gain on sale of investment in marketable securities	-	-	-	(1,700)
Realized gain on the sale of marketable securities	-	-	-	-
Total other income (expense)	(259,337)	(283,661)	(323,496)	(392,476)
Income (Loss) before income taxes	944,294	5,609	1,380,723	(463,062)
Provision for income taxes	-	-	-	-
Net Income (Loss)	944,294	5,609	1,380,723	(463,062)
Preferred Stock Dividends				
Series A	-	-	-	-
Series B	-	-	-	-
Beneficial Conversion Feature	-	-	-	-
Net Income (Loss) Applicable to Common Shares	<u>944,294</u>	<u>5,609</u>	<u>1,380,723</u>	<u>(463,062)</u>
Income (Loss) per share, basic and diluted	<u>0.01</u>	<u>0.00</u>	<u>0.02</u>	<u>(0.01)</u>
Weighted average shares outstanding	<u>74,439,660</u>	<u>74,013,102</u>	<u>74,439,660</u>	<u>74,013,102</u>
Comprehensive loss				
Net income (loss)	944,294	5,609	1,380,723	(463,062)
Foreign currency translation adjustment	380,257	(927,579)	414,641	(306,473)
Unrealized gain (loss) on investment	-	-	-	-
Comprehensive income (loss)	<u>1,324,550</u>	<u>(921,970)</u>	<u>1,795,365</u>	<u>(769,535)</u>

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

Condensed consolidated balance sheets as of April 30, 2012 (Unaudited) and October 31, 2011 (Unaudited)

<u>Balance Sheet</u>	<u>April 30th, 2012</u>	<u>October 31st, 2011</u>
Assets		
Current Assets		
Cash and Cash Equivalents	1,460,177	1,398,289
Short Term Investments	2,681	2,681
Accounts Receivables, net of allowance for doubtful accounts	3,193,310	3,203,361
Inventory	1,848,954	2,002,631
Unbilled Receivables, Note 2	1,224,408	705,391
Other current assets, Note 3	144,248	355,461
Prepaid Expenses	852,153	235,899
Total Current Assets	8,725,930	7,903,713
Property and Equipment, net, Note 4	294,404	137,426
Goodwill and other intangibles, net, Note 5	3,795,996	3,852,388
Total Assets	12,816,330	11,893,527
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable, trade	2,369,643	2,248,439
Accrued Expenses and other current liabilities	986,974	1,547,428
Short term loan payable	1,293,464	1,726,507
Loans and note payable, long term, Note 11	15,526,183	14,756,860
Warrant liability, Note 8	19,153	1,842
Deferred revenues, Note 2	2,471,471	2,996,370
Sundry Creditors	-	281,219
Total Current Liabilities	22,666,888	23,558,665
Loans and note payable, long term, Note 11	-	-
Total Liabilities	22,666,888	23,558,665
Contingencies and Commitments, Note 10		
Stockholders' deficiency:		-
Preferred stock, \$.001 par value; 5,000,000 shares authorized, 6,287 Series A issued and outstanding, as of April 30, 2012 and October 31, 2011, respectively	6	6
Nil shares Series B issued and outstanding as of April 30, 2012 and October 31, 2011, respectively		-
Common stock, \$.001 par value; 150,000,000 shares authorized, 74,439,660 and 74,339,665 shares issued and outstanding as of April 30, 2012 and October 31, 2011, respectively	74,439	74,339
Additional paid-in capital	47,455,277	47,436,163
Accumulated other comprehensive loss	(571,346)	(985,988)
Accumulated deficit / surplus	(56,808,934)	(58,189,658)
Treasury Stock		
Capital Surplus		
Currency Translation Adjustments	-	-
Total Stockholder's Equity	(9,850,558)	(11,665,138)
Total liabilities and stockholders' deficit	12,816,330	11,893,527

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

Condensed consolidated statements of cash flows for the Three and Six Months ended April 30, 2012 (Unaudited) and 2011 (Unaudited)

Cash Flow	Three Months Ended April 30th, 2012	Three Months Ended April 30th, 2011	Six Months Ended April 30th, 2012	Six Months Ended April 30th, 2011
Cash Flows from Operating Activities				
Net income/(loss)	944,294	5,609	1,380,723	(463,061)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation and amortization	83,371	21,772	115,087	82,663
Stock based compensation	2,929	(14,600)	19,114	265,363
Change in fair value of warrant liability	17,558	(63,308)	17,311	(337,212)
Financing costs	388,334	(520,178)	769,323	(135,742)
Impairment of investment of marketable securities	-	-	(0)	1,700
Bad debt expense	-	-	-	-
Gain on sale of investment in marketable securities	-	-	-	-
Loss on sale of assets	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Short-Term Investments				
Accounts receivable	(1,477,554)	453,934	10,051	29,162
Inventory	4,429	572,262	153,677	634,676
Prepaid expenses	(404,547)	(150,935)	(616,254)	(218,184)
Unbilled receivables and Other assets	(206,449)	308,161	(307,803)	130,414
Intercompany receivables	-	-	-	-
Increase (decrease) in current liabilities:				
Accounts payable and accrued expenses	1,249,680	676,126	121,205	876,894
Deferred revenues	(1,086,670)	(1,811,526)	(1,542,857)	(1,511,390)
Sundry Creditors	457,348	249,579	457,348	250,880
Net cash (used)/generated by operating activities	(27,278)	(273,104)	576,925	(393,837)
Cash Flows from Investing Activities				
Purchases of property and equipment	128,566	106,153	97,770	(4,535)
Purchases of intangible assets	(372,923)	24,483	(313,443)	15,831
Cash subject to restriction	-	-	-	827,266
Cash acquired from acquisitions	-	-	-	-
Net cash provided by/(used in) investing activities	(244,358)	130,636	(215,674)	838,562
Cash Flows from Financing Activities				
Proceeds from/(repayments of) loans	(242,321)	1,018,750	(714,105)	868,750
Proceeds for sale of marketable security	-	-	-	-
Shares issued for warrants and services	100	13,398	100	13,398
Common stock subscribed	-	-	-	-
Deferred payment related to acquisitions	-	-	-	-
Preferred stock dividend	-	-	-	-
Net cash (used)/provided by financing activities	(242,221)	1,032,148	(714,005)	882,148
Effect of exchange rate changes on cash	380,257	(927,579)	414,641	(306,474)
Net (decrease)/increase in cash	(133,599)	(37,899)	61,888	1,020,399
Cash and cash equivalents, beginning of period	1,593,775	1,273,501	1,398,289	215,204
Cash and cash equivalents, end of period	1,460,176	1,235,602	1,460,177	1,235,603

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

Condensed consolidated statement of stockholders' deficit for the Six Months ended April 30, 2012 (Unaudited)

Balance, October 31, 2011	<u>6,287</u>	<u>6.10</u>	<u>74,339,665</u>	<u>74,339.38</u>	<u>-</u>	<u>47,436,162.94</u>	<u>-</u>	<u>985,987.59</u>	<u>- 58,189,657.51</u>	<u>- 11,665,136.87</u>
Shares issued for compensation			100,000	100.00		110.00			-	210.00
Stock buy back			- 5	- 0.01		0.01				-
Fair value of options issued as compensation			-	-		19,004.00			-	19,004.00
Foreign currency translation adjustment								414,641.48		414,641.48
Net Income									1,380,723.22	1,380,723.22
Balance, April 30, 2012	<u>6,287</u>	<u>6.10</u>	<u>74,439,660</u>	<u>74,439.37</u>	<u>-</u>	<u>47,455,276.95</u>	<u>-</u>	<u>571,346.11</u>	<u>- 56,808,934.29</u>	<u>- 9,850,558.17</u>

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

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2012 (UNAUDITED)

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

General

The accompanying are unaudited condensed consolidated financial statements. As such they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the six month period ended April 30, 2012, are not necessarily indicative of the results that may be expected for the year ended October 31, 2012. The unaudited condensed financial statements should be read in conjunction with the consolidated unaudited financial statements of October 31, 2011 and footnotes thereto.

Business and Basis of Presentation

Coda Octopus Group, Inc. (“we”, “us” “our company” or “Coda”) was formed under the laws of the State of Florida in 1992 and re-domiciled to Delaware in 2004 following a reverse merger with The Panda Project. At the same time it changed its name to Coda Octopus Group, Inc.

We are a developer 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 and Norway. We also have our marine engineering operations in the State of Utah, USA and United Kingdom.

The unaudited condensed consolidated financial statements include the accounts of Coda and our domestic and foreign subsidiaries that are more than 50% owned and controlled. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements presented with these Notes.

Accounts Receivable

We periodically review our trade receivables in determining our allowance for doubtful accounts. Allowance for doubtful accounts was \$nil for the period ended April 30, 2012 and \$nil for the year ended October 31, 2011. Despite making allowances for doubtful accounts in the past, we have not realized any actual bad debt expense during the period for which such allowances were made.

Inventory

Inventory is stated at the lower of cost or market using the first-in first-out method. Inventory is comprised of the following components at April 30, 2012 and October 31, 2011:

	April 30, 2012	Oct 31, 2011
Raw materials	\$ 750,194	\$ 1,076,249
Work in process	\$ 544,848	\$ 178,096
Finished goods	\$ 553,912	\$ 748,286
Total inventory	\$ 1,848,954	\$ 2,002,631

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2012 (UNAUDITED)

Earnings Per Share (“EPS”)

Net income (loss) per share

Dilutive common stock equivalents consist of shares issuable upon conversion of warrants and the exercise of the Company’s stock options and warrants. Common stock equivalents derived from shares issuable in conversion of the warrants are not considered in the calculation of the weighted average number of common shares outstanding because the adjustments in computing income available to common stockholders would result in a loss. Accordingly, the diluted EPS would be computed in the same manner as basic earnings per share.

The following reconciliation of net income and share amounts used in the computation of earnings per share for the six months ended April 30, 2012:

	Six Months Ended April 30, 2012
Net income used in computing basic net income per share	\$ 1,380,723
Impact of assumptions:	
Costs on warrant liability marked to fair value	\$ 17,311
Net income in computing diluted net gain or loss per share:	\$ 1,380,723

Per share basic and diluted net income amounted to \$0.02 for the period ended April 30, 2012. Per share basic and diluted net income amounted to \$0.01 for the period ended October 31, 2011.

Liquidity

As of April 30, 2012, we had:

Cash and Cash Equivalents	\$ 1,460,177
Working Capital Deficit	\$ 13,940,958
Deficiency in Stockholders’ Equity	\$ 9,850,588
Accumulated Deficit	\$ 56,808,934
Net Income for the Six Month Period Ended April 30, 2012	\$ 1,380,723
Positive Cash Flow from our operations	\$ 576,925

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.

If the Company’s financial resources from operations are insufficient, the Company will require additional financing in order to execute its operating plan and continue as a going concern. The Company may not be able to obtain the necessary additional capital on a timely basis or on commercially acceptable terms, or at all. In any of these events, the Company may be unable to repay its debt obligations, implement its current plans for reorganization, or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

NOTE 2 - 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 balance sheet as Unbilled Receivables of \$1,224,408 and \$705,391 as of April 30, 2012 and October 31, 2011 respectively.

Our Deferred Revenue of \$2,471,471 consists of the categories below.

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2012 (UNAUDITED)

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 sheet. These amounts are stated on the balance sheet as Deferred Revenue of \$1,983,576 and \$2,627,137 as of April 30, 2012 and October 31, 2011 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 from the date of sale. These amounts are stated on the balance sheet as Deferred Revenue of \$487,895 and \$369,233 as of April 30, 2012 and October 31, 2011 respectively.

NOTE 3 - OTHER CURRENT ASSETS

Other current assets on the balance sheet total \$144,248 and \$355,462 at April 30, 2012 and October 31, 2011 respectively. These totals comprise the following:

	April 30 2012	Oct 31 2011
Deposits *	\$ 135,540	\$ 98,704
Value added tax (VAT)	\$ 0	\$ 0
Other receivable	\$ 8,708	\$ 256,758
Total	\$ 144,248	\$ 355,462

*These figures represent amounts held by third parties to secure certain of our obligations undertaken in the ordinary course of our business, such as rent deposits held as security for the performance of our obligations under these agreements and as is customary for these types of transactions.

NOTE 4 - FIXED ASSETS

Property and equipment at April 30, 2012 and October 31, 2011 is summarized as follows:

	April 30, 2012	Oct 31 2011
Machinery and equipment	\$ 951,985	\$ 839,481
Accumulated depreciation	\$ (657,581)	\$ (702,055)
Net property and equipment assets	\$ 294,404	\$ 137,426

Depreciation expense recorded in the statement of operations for the period ended April 30, 2012 and year ended October 31, 2011 is \$75,608 (which included the value of some equipment that was lost in transit during the reporting period) and \$35,365, respectively.

NOTE 5 - INTANGIBLE ASSETS AND GOODWILL

Goodwill and Other Intangible Assets are evaluated on an annual basis and when there is reason to believe that their values have been diminished or impaired write-downs will be included in results from operations. We have conducted a goodwill assessment and based on the methodology used by the Company we have concluded that goodwill was not impaired as at January 31, 2012 and therefore remains unchanged.

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2012 (UNAUDITED)

The identifiable intangible assets acquired and their carrying value at April 30, 2012 and October 31, 2011 is:

	April 30, 2012	Oct 31, 2011
Customer relationships (weighted average life of 10 years)	\$ 694,503	\$ 724,243
Non-compete agreements (weighted average life of 3 years)	207,943	\$ 228,651
Patents (weighted average life of 10 years)	\$ 95,191	\$ 95,191
Licenses (weighted average life of 2 years)	\$ 0	\$ 0
Total amortized identifiable intangible assets - gross carrying value	\$ 997,637	\$ 1,048,085
Less accumulated amortization	\$ (583,749)	\$ (577,805)
Residual value	<u>\$ 413,888</u>	<u>\$ 470,280</u>

Estimated annual amortization expense as of April 30, 2012 is as follows:

2012	\$ 76,696
2013	\$ 76,696
2014	\$ 76,696
2015 and thereafter	\$ 183,800
Total	<u>\$ 413,888</u>

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to \$39,479 and \$78,959 for the period ended April 30, 2012 and year ended October 31, 2011, respectively. Goodwill is not being amortized.

NOTE 6 - CAPITAL STOCK

The Company is authorized to issue 150,000,000 shares of common stock with a par value of \$.001 per share.

During the reporting period, February 1, 2012 to April 30, 2012, we issued 100,000 shares of our common stock to one of our directors as part of his compensation for serving in this position and 5 shares were cancelled.

The Company has issued and outstanding 74,439,660 shares of common stock as of June 15, 2012.

Other Equity Transactions

Common stock options which entitle the holder to purchase under their terms have lapsed or cancelled due to staff departure as follows:

Period	Number of Options Cancelled
Number of options which expired or were cancelled in the 12 months period ended October 31, 2011	962,900
Period ended April 30, 2012	25,000

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - WARRANTS AND STOCK OPTIONS

Transactions involving stock options and warrants issued are summarized as follows:

Warrants	Six months ended April 30, 2012		Year ended October 31, 2011	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of the period	5,459,418	\$ 1.49	24,119,418	\$ 1.47
Granted during the period	—	—	—	—
Terminated during the period	(3,617,418)	1.48	(18,660,000)	1.46
Outstanding at the end of the period	1,842,000	\$ 1.50	5,459,418	\$ 1.49
Exercisable at the end of the period	1,842,000	\$ 1.50	5,459,418	\$ 1.49

The number and weighted average exercise prices of warrants outstanding as of April 30, 2012 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
0.50	-	-	-
0.58	-	-	-
1.00	-	-	-
1.30	921,000	0.01	921,000
1.70	921,000	0.01	921,000
Totals	1,842,000	0.28	1,842,000

Stock Options	Six Months ended April 30, 2012		Year ended October 31, 2011	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of the period	560,000	\$ 1.43	1,522,900	\$ 1.19
Granted during the period	—	—	-	-
Terminated during the period	(25,000)	1.43	(962,900)	\$ 1.05
Outstanding at the end of the period	535,000	\$ 1.43	560,000	\$ 1.43
Exercisable at the end of the period	535,000	\$ 1.43	560,000	\$ 1.43

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The number and weighted average exercise prices of stock purchase options outstanding as of April 30, 2012 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
1.00	30,000	0.24	30,000
1.05	50,000	3.35	50,000
1.30	215,000	1.42	215,000
1.50	30,000	0.75	30,000
1.70	210,000	0.75	210,000
Totals	535,000	1.43	535,000

NOTE 8 – DERIVATIVE LIABILITY

The Company has assessed its outstanding equity-linked financial instruments and has concluded that, effective November 1, 2009, the value of our warrants will need to be recorded as a derivative liability due to the fact that the conversion price is subject to adjustment based on subsequent sales of securities.

The cumulative effect of the change in accounting principle on November 1, 2009 includes an increase in our derivative liability related to the fair value of the conversion feature of \$2,353,893. Fair value at November 1, 2009 was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 1.06%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 302.22%; (4) an average expected life of the warrants of 2.22 years and (5) estimated fair value of common stock of \$0.08 per share.

At April 30, 2012 we recalculated the fair value of the conversion feature subject to derivative accounting and have determined that the fair value at April 30, 2012 is \$19,153. The fair value of the conversion features was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.19%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 335%; (4) an average expected life of the conversion feature of 0.28 years and (5) estimated fair value of common stock of \$0.06 per share.

We have recorded a charge of \$17,558 during six months ended April 30, 2012 related to the change in fair value during this period.

Approximately ninety-five (95) percent of our warrants issued in the last 5 years have now expired. As of April 30, 2012 we had 1,842,000 warrants in issue.

NOTE 9 - INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

For income tax reporting purposes, the Company's aggregate U.S. unused net operating losses approximate \$25,549,246 as of October 31, 2011, which expire through 2029, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The deferred tax asset related to the carry forward is approximately \$9,496,150, as of October 31, 2011. The Company has provided a valuation reserve against the full amount 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 will not be realized.

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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For income tax reporting purposes, the Company's aggregate UK unused net operating losses approximate \$3,202,189 with no expiration. The deferred tax asset related to the carry-forward is approximately \$11,584,542.

Components of deferred tax assets as of April 30, 2012 and October 31, 2011 are as follows:

Non-Current	April 2012	2011
Net Operating Loss Carry Forward	\$ 11,584,542	\$ 11,584,542
Valuation Allowance	\$ (11,584,542)	\$ (11,584,542)
Net Deferred Tax Asset	<u>\$ —</u>	<u>\$ —</u>

NOTE 10 - CONTINGENCIES AND COMMITMENTS

Litigation

As of the date of this filing we have no litigation pending.

Operating Leases

We occupy our various office and warehouse facilities pursuant to both term and month-to-month leases. Our term leases expire at various times through September 2015. Future minimum lease obligations are approximately \$864,461, with the minimum future rentals due under these leases as of April 30, 2012 as follows:

2012	\$ 153,180
2013	\$ 296,527
2014	\$ 250,084
2015 and thereafter	\$ 164,670
Total	<u>\$ 864,461</u>

Concentrations

We had no concentrations of purchases or sales of over 5% during the period ended April 30, 2012.

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2012 (UNAUDITED)

NOTE 11 - NOTES AND LOANS PAYABLE

A summary of notes payable at April 30, 2012 and October 31, 2011 is as follows:

	April 30, 2012	October 31, 2011
<p>On February 21, 2008 the Company issued a convertible secured debenture with a face value of \$12M (“Secured Debenture”). The Secured Debenture matures on February 21, 2015 at 130% of its face value. The Secured Debenture attracts interest of 8.5% payable every six months, starting from February 21, 2009. 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 OTCBB 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</p>	\$ 15,363,643	\$14,596,500
<p>The Company, through its UK subsidiary Coda Octopus Products Ltd has a 7 year unsecured loan note for £100,000; interest rate of 12% annually; repayable at borrower’s instigation or convertible into common stock when the share price reaches \$3.</p>	\$162,540	\$160,360
<p>Total</p>	\$ 15,526,183	\$ 14,756,860
<p>Current portion & other loan notes</p>	\$15,526,183	\$14,756,860
<p>Total long-term borrowings</p>	\$ 0\$	0

NOTE 12 – SUBSEQUENT EVENTS

On 23rd May 2012, Dr Rolf Kahrs Hansen resigned from the Board of Directors of Coda Octopus Group. Dr. Hansen continues in his role as the Group’s Acoustic Expert. Dr. Rolf Kahrs Hansen continues as the Group’s exclusive subsea expert. Mr Blair Cunningham was appointed to the Board of Directors of Coda Octopus Group Inc., and appointed President of Technology on 23rd May 2012. Previously Mr Cunningham was Chief Technology Officer of Coda Octopus Group, Inc. since 2005 and Technical Manager of Coda Octopus Products Ltd between July 2004 and July 2005. From March 1992 to present he has also served as a Director of Softworks Business Systems Solutions Ltd, an Aberdeen, Scotland based software company developing turnkey software solutions for public companies. Mr Cunningham received an HND in Computer Science in 1989 from Moray College of Further Education, Elgin, Scotland