

January 18, 2007



# Coda Octopus Reports Audited Results

NEW YORK, NY -- (MARKET WIRE) -- 01/18/07 -- Coda Octopus Group, Inc. (PINKSHEETS: CDOC), a world leader in underwater port security technology, headquartered here, said today its first US GAAP audit has been completed. Before announcing results for the fiscal year ended October 31, 2005, and for the nine months ended July 31, 2006, Coda Octopus Group CEO, Jason Reid, wanted to thank shareholders for their trust and patience.

He said, "With the 2005 audit behind us, we plan to move as rapidly as possible to complete the 2006 audit and subsequently the required SEC filings so that CDOC stock can be listed on an appropriate exchange where it can have the opportunity to achieve a valuation in line with our outstanding prospects."

## FY 05 Year-End Results

For the fiscal year ended October 31, 2005, Coda Octopus Group, Inc. recorded revenues of \$4,288,416. This compares with revenues of \$2,101,992, for the fiscal year ended October 31, 2004. The Company lost (\$3,807,055), or (\$0.16) per share in FY 2005, as compared to a loss of (\$2,811,585), or (\$0.13) in FY 2004. Average shares outstanding increased from 19,216,854 to 23,103,396 over the period.

\$645,462 of the FY 2005 revenues came from demonstration sales of the Company's patented Echoscope(TM) -- the first 3D real time, under-the-sea sonar -- to customers who included the US Navy and the US Coast Guard. Sales of legacy products grew by 28.1% to \$3,642,954, driven by survey software, which grew by 57.5%, and printers for output of survey data, which grew by 442%. Gross margins for FY 2005 were 50.34%. The Company attributed its losses for the 2005 fiscal year primarily to the cost of developing and bringing to market the Echoscope(TM), as well as increased spending on legal, accounting, and other SGA costs associated with the Company's move from the UK to New York City.

## FY 06 Nine Month Results

For the nine month period ending July 31, 2006, Coda Octopus Group recorded revenues of \$5,217,043. This compares with revenues of \$2,613,914 for the nine month period ending July 31st, 2005. The Company lost (\$2,662,025), or (\$0.11) for the first nine months of FY 06, as compared with a loss of (\$2,917,927), or (\$0.13) per share, for the first nine months of FY 2005. Average shares outstanding increased from 22,907,766 to 23,910,038.

During the period, the Company launched commercial sales of the Echoscope(TM), and delivered the first six systems, realizing revenues of \$1,188,655. Sales of legacy products grew by 43.7% to \$4,028,388, driven by motion sensor sales, which grew by 403% over the same period last year. Gross margins for the nine month period were 57.6%. The Company's losses were primarily attributed to the costs associated with marketing the Echoscope(TM) and to additional expenditures in research and engineering, as well as the

legal, accounting and other SGA costs associated with the launch of the public company in the US equity market.

### Launching the Echoscope(TM)

According to Jason Reid, "Demand for the Echoscope(TM) is strong, both in the private sector and in port authorities around the world. Sales thus far have been somewhat constrained by our ability to execute contracts for a number of external reasons and increase production," Reid said.

"Sales in the Middle and Far East, where interest is high and the bureaucracy seems somewhat less of a burden, will likely come through before we complete large scale deliveries to US ports, although we are hopeful of completing the first round of contract signings in the US during FY 07."

With respect to sales to US ports, Reid reported, "Coda Octopus has been working with the Coast Guard through the Center for Ocean Technology (COT) at the University of South Florida in Tampa, Florida for approximately 2 1/2 years. COT informs us that the Coast Guard has completed its internal evaluation of under-the-sea port security technologies and will make its recommendations public in the first calendar quarter of 2007. Management is optimistic this evaluation will spur demand for real time 3D sonar not only in US ports, but in ports around the world."

In addition, Reid said that Coda is experiencing increasing interest from large defense contactors and system integrators, and this now appears to be the most important pathway to rapidly developing the US market for 3D sonar.

He also said, "For the next 12 months, Coda expects sales to private sector customers will outpace sales to ports, the US Coast Guard and the US Department of Defense, but over the longer term, we expect that government authorities will become by far the largest market for the Echoscope(TM), and for a growing family of 3D under-the-sea security systems and solutions that Coda Octopus has under development."

With regard to production capacity, Reid said, "The Company expects to build approximately three Echoscopes(TM) per month from a single location in Bergen, Norway, and a portion of these Echoscopes(TM) will be used to provide demonstrations for potential customers. However, we have aggressive plans to migrate production to a new facility in Tampa, Florida, which will significantly increase capacity."

### Changes in the Capital Structure

During FY 2005, the Company raised \$800,534 by issuing 1 million shares of common stock to accredited investors. The Company also raised a further \$2,655,000 by issuing 15,000 Series A Preferred stock to accredited investors. Each Series A preferred share is convertible into 177 common at \$1.00 per share and carries a 12% coupon, payable semi-annually in cash or in kind.

During FY 2006 the Company raised a total of \$5,373,728 with two separate groups of investors. \$1,273,728 was raised by issuing an additional 8,641 shares of Series A preferred, and a total of \$4,100,000 has been raised as of October 31, 2006 by issuing 41,000 shares

of Series B stock. Each Series B preferred share is convertible into 100 common at \$1.00 per share and carries a 8% coupon, payable semi-annually in cash or in kind, and includes a warrant to purchase one share of common stock at \$1.30 per share, and a warrant to purchase one share of common stock at \$1.70 per share.

As of October 31, 2006 total common shares issued and outstanding were 24,420,230. If all preferred shares were converted into common shares, the number of common shares outstanding would total approximately 32.5 million.

#### Filling the Significant Market Opportunity in Port Security

According to Jason Reid, "During the first nine months of FY 2006, Coda Octopus accomplished its key goals in terms of revenues and gross margins, while launching a genuine breakthrough product into a market segment where much is required, even more has been demanded, but very little has thus far been provided. The Company's strategy is to fill that void: comprehensively, intelligently, and as rapidly as it is realistic to do so."

He added, "The Echoscope(TM) is just the beginning of our plans for the 3D sonar business. The Company's objective is to bring to market, both independently and in cooperation with strategic partners, the kind and quality of port security systems and solutions the public has been demanding, and current objective circumstances so obviously require."

"Our immediate focus will be on execution," Reid continued. "We have a plan for migrating manufacturing from a single production line in Norway to a new facility approximately five blocks from the Center for Ocean Technology in Tampa, and now we must execute. We have a plan for partnering with major defense integrators to bid on significant projects both in the US and around the world, and now we must execute. With the 2005 audit completed and our 2006 audit underway, we believe the obstacles that have delayed the Company's progress both as a public entity and as a global business can now be addressed and will soon be overcome."

"On behalf of the Board, I want to thank shareholders and supporters for their patience in accepting with good cheer the continuing delays we have faced in bringing this audit process to a conclusion, and promise our very best efforts to continue to make rapid progress in FY 2007 and beyond."

CODA OCTOPUS GROUP, INC.  
CONSOLIDATED CONDENSED BALANCE SHEET  
OCTOBER 31ST, 2005

#### ASSETS

Cash and cash equivalents	\$ 142,936
Accounts and tax credits receivables	\$1,567,920
Inventory	\$1,044,051
Receivable on sale of preferred stock	\$2,655,000
Other assets: prepaid expenses; other receivables	\$ 310,683
Goodwill and other intangible assets	\$ 71,480

Property and equipment	\$ 233,558
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Total assets	\$6,025,628
	=====
LIABILITIES AND STOCKHOLDERS'	
DEFICIT	
Accounts payable and accrued expenses	\$1,815,975
Other liabilities	\$ 576,981
Loans and notes payable	\$3,144,005
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Stockholders' deficit	\$ 488,667
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Total liabilities and stockholders' deficit	\$6,025,628
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CODA OCTOPUS GROUP, INC.  
INCOME STATEMENT  
YEAR ENDED OCTOBER 31ST, 2005

Net revenue	\$ 4,288,416
Cost of revenue	2,464,800
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Gross profit	1,823,616
Research and development	1,044,695
Selling, general and administrative expenses	4,349,674
	-----
Operating income	(3,570,753)
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Other income (expense)	
Other income	1,319
Interest expense	(219,855)
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Total other income (expense)	(218,536)
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Loss before income taxes	(3,789,289)
Provision for income taxes	17,766
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Net loss	\$ (3,807,055)
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Loss per share, basic and diluted	(0.16)
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Weighted average shares outstanding	23,103,396
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Comprehensive loss:

Net loss	(3,807,055)
Foreign currency translation adjustment	341,390
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Comprehensive Loss	\$ (3,465,665)
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Coda Octopus Group, Inc.  
Income Statement  
Nine Months Ended July 31st, 2006 (Unaudited)

	2006	2005
Net revenue	\$ 5,217,043	\$ 2,613,914
Cost of revenue	2,214,106	1,233,665
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Gross profit	3,002,937	1,380,250
Research and development	674,345	947,020
Selling, general and administrative expenses	4,728,152	3,230,081
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Operating income	(2,399,560)	(2,796,851)
	-----	-----
Other income (expense)	-	(692)
Other income	1,449	-
Interest expense	(265,762)	(120,384)
	-----	-----
Total other income (expense)	(264,313)	(121,076)
	-----	-----
Loss before income taxes	(2,663,873)	(2,917,927)
Provision for income taxes	(1,848)	-
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Net loss	(2,662,025)	(2,917,927)
	=====	=====
Loss per share, basic and diluted	(0.11)	(0.13)
	=====	=====
Weighted average shares outstanding	23,910,038	22,907,766

## About Coda Octopus

Founded in 1994 as Coda Technologies, Coda Octopus is recognized internationally as a leading developer of underwater technologies for imaging, mapping, defense and survey applications. Based in New York, with R&D, manufacturing, and sales facilities in the UK,

Norway, and Florida, its key products include Octopus precision motion sensors, Coda and Octopus marine software and systems, Octopus thermal printers and the unique Coda Echoscope -- the first real time 3D subsea sonar with a variety of applications within navies and for subsea construction. The Echoscope is the heart of the Coda Octopus Underwater Inspection System used for homeland security in ports around the world. With this patented new product, which revolutionizes subsea visualization, Coda Octopus believes it is well on its way to becoming the world's leading sonar technology company.

For further information, please visit <http://www.codaoctopus.com> or contact Coda Octopus at [info@codaoctopus.com](mailto:info@codaoctopus.com)

**Safe Harbor Statement:** Except for historical information, the matters set forth herein, which are forward-looking statements, involve certain risks and uncertainties that could cause actual results to differ. Potential risks and uncertainties include, but are not limited to, market acceptance of Coda Octopus' planned products and their level of sales, the competitive environment and successful technical and economic implementation.

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