

August 8, 2007



# Coda Octopus Announces Q2 and Six-Month Results

NEW YORK, NY -- (MARKET WIRE) -- 08/08/07 -- Coda Octopus Group, Inc. (PINKSHEETS: CDOC), a world leader in underwater terrorism prevention, today announced results for the three month and six month periods ending April 30, 2007.

For the second fiscal quarter ended April 30, 2007, Coda Octopus Group, Inc. recorded revenues of \$2,233,439. This compares with revenues of \$1,476,727, for Q2 2006\*. The Company lost (\$7,637,616), or (\$0.23) per share in Q2 2007, as compared to a loss of (\$2,200,749), or (\$0.09) per share in Q2 2006. Weighted average shares outstanding increased from 23,927,762 to 32,873,554 over the period.

Operating losses for the second quarter ended April 30, 2007 totaled \$1,685,150, as compared to a loss from operations of \$2,031,455 during the 2006 period. Removing non-cash expenses (excluding depreciation and amortization), the comparison shows a loss from operations of \$1,491,303 for 2007 against a loss of \$1,838,543 for 2006, an improvement of \$347,240 or 18.9%.

The non-operating loss in Q2 2007 of \$5,952,466 consisted primarily of the costs of fund raising and also the payment of preferred stock dividends.

For the six-month period ended April 30, 2007, the Company recorded revenues of \$4,934,714. This compares with revenues of \$2,452,308 for the six months ending April 30, 2006. The Company lost (\$10,968,535) or (\$0.38) per share for the first six months of FY 2007, as compared to a loss of (\$3,279,760) or (\$0.14) per share for the like year-ago period. Weighted average shares outstanding increased from 23,795,553 to 29,138,920.

Operating losses for the first six months of FY 2007 totaled \$4,102,956, as compared to a loss from operations of \$3,053,981 during the 2006 period. Removing non-cash expenses and non-recurring expenses (excluding depreciation and amortization), the comparison shows a loss from operations of \$1,879,415 for 2007 against a loss of \$2,713,375 for 2006, an improvement of \$834,000, or 30.7%.

The non-operating loss for the first six months of FY 2007 of \$6,865,579 consisted primarily of the costs of fund raising, the payment of preferred stock dividends, and charges booked to represent the fair value of preferred stock and warrants sold within the year.

SG&A expenses for the 2007 six-month period increased to \$5,288,539 from \$3,247,453 during the 2006 period. Excluding non-cash charges, SG&A was \$3,499,998 for the 2007 period as compared to \$2,906,848 for 2006. Of this increase, \$422,000 was due to the acquisitions of Martech and Colmek.

\* Period to period amounts are not directly comparable as the results to end April 30, 2007

include numbers for Colmek and Martech, which were acquired by the Company after April 30, 2006.

### Key Strategic Developments

In awarding a sole source contract to Coda Octopus on July 2, 2007, the Departments of Defense, Homeland Security and the Coast Guard formally recognized the critical role the Company's real time 3D sonar ought to play in responding to the threat of underwater terrorism. The contract, which has an immediate value of \$2.59 million and could expand to as much as \$8.27 million over the next two years, establishes Coda Octopus as the only currently available supplier of 3D real time sonar products and systems for this application.

Also during the past six months, we have witnessed for the first time, statements and actions by the FBI, the Department of Homeland Security, the Coast Guard, and other US government authorities that identify Underwater Terrorism as a serious threat, and distinguish the underwater threat from concerns about containers and other aspects of port security.

### Key Tactical Developments

At the invitation of the San Francisco Police Department, Coda Octopus deployed its next generation Underwater Inspection System (UIS) for the very first time at McCovey's Cove as part of the underwater security effort for baseball's All-Star Game. This event attracted wall to wall TV coverage for the UIS and for Coda Octopus on all three local TV network affiliates, a feature article in the Herald Examiner, and, the Company believes, at least 3 requests for UIS systems by port security authorities in the Bay Area, two of which we believe have already been funded. The tactic demonstrated that creative exposure to port security authorities in a given region could significantly raise the profile of the Company, and produce meaningful results in terms of generating downstream revenues and profits.

CODA OCTOPUS GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET  
FOR THE SIX MONTHS ENDED APRIL 30, 2007 AND 2006  
(UNAUDITED)

	April 30, 2007	April 30, 2006
ASSETS		
Cash and cash equivalents	\$ 5,305,846	\$ 2,782
Accounts and tax credits receivables	\$ 1,517,239	\$ 3,643,827
Inventory	\$ 2,555,767	\$ 1,335,682
Other assets: prepaid expenses; other receivables; other current assets	\$ 1,506,730	\$ 1,038,583
Goodwill and other intangible assets	\$ 3,832,985	\$ 75,851
Property and equipment	\$ 322,786	\$ 194,844
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Total assets	\$ 15,041,353	\$ 6,291,569
	=====	=====

### LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 3,645,757	\$ 5,740,914
Other liabilities	\$ 1,642,143	\$ 603,460
Loans and notes payable	\$ 118,497	\$ 969,935
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Stockholders' equity	\$ 9,634,956	\$ (1,022,740)
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Total liabilities and stockholders' equity	\$ 15,041,353	\$ 6,291,569
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CODA OCTOPUS GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE SIX MONTHS ENDED APRIL 30, 2007 AND 2006  
(UNAUDITED)

	April 30, 2007	April 30, 2006
Net revenue	\$ 4,934,714	\$ 2,452,308
Cost of revenue	2,212,373	1,161,766
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Gross profit	2,722,341	1,290,542
Research and development	1,101,758	1,097,070
Selling, general and administrative expenses	5,288,539	3,247,453
Other operating expenses	435,000	--
Operating income	(4,102,956)	(3,053,981)
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Other income (expense)		
Other income	37,795	504
Interest expense	(5,788,596)	(146,633)
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Total other income (expense)	(5,750,801)	(146,129)
	-----	-----
Loss before income taxes	(9,853,757)	(3,200,110)
Provision for income taxes	--	--
	-----	-----
Net loss before stock dividends	\$ (9,853,757)	\$ (3,200,110)
Preferred stock dividends	(1,114,778)	(79,650)
	=====	=====
Loss per share, basic and diluted	(0.38)	(0.14)
	=====	=====
Net loss applicable to common shares	(10,968,535)	(3,279,760)
Weighted average shares outstanding	29,138,920	23,795,553

Comprehensive loss:

Net loss	(9,853,757)	(3,200,110)
Foreign currency translation adjustment	(197,572)	(421,013)
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Comprehensive Loss	\$ (10,051,329)	\$ (3,621,123)
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## About Coda Octopus

Founded in 1994 as Coda Technologies, Coda Octopus is recognized internationally as a leading developer of underwater technologies for imaging, mapping, and 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(TM) -- the first real time 3D sub sea sonar, with a variety of applications within navies and for sub sea construction. The Echoscope is the heart of the Coda Octopus Underwater Inspection System used for homeland security in ports around the world. With the successful launch of this patented new product, which revolutionizes sub sea visualization, Coda Octopus believes it has established itself as the world leader in underwater port security technology.

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, access to the capital necessary to finance and grow the business, a highly competitive environment in the security field that includes numerous large and well established companies much larger than ours, and our ability successfully to deploy our technologies and products to meet the technical demands and market requirements of our customers.

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