

CODA OCTOPUS GROUP, INC.
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
Adopted as of September 15, 2016

The Board of Directors (the “**Board**”) of Coda Octopus Group, Inc., (the “**Company**”) has established the Audit Committee of the Board (the “**Committee**”) with authority as described in this Audit Committee Charter (the “**Charter**”).

I. Purposes

The principal purpose of the Committee is to:

- Review the internal control systems of the Group, including the process for managing risks;
- Review the Groups financial statements;
- Review the Group’s internal audit program; and
- Consider the appointment of the external auditors and their independence;

II. Allocation of Duties and Responsibilities

The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation and integrity of the Company’s financial statements for the appropriateness of the accounting principles and reporting policies that are used by the Company and for establishing and maintaining internal control over financial reporting. The Company’s independent auditors are responsible for auditing the Company’s financial statements and assessing the effectiveness of internal control over financial reporting.

III. Membership

The Committee shall be composed of three or more members, as determined by the Board. Each member of the Committee shall be a director of the Board and an independent director.

The members of the Committee, including a Chairman of the Committee (the “**Chairman**”), shall be appointed by a majority vote of the Board and any vacancy on the Committee shall be filled only by a majority vote of the Board. The members of the Committee and its Chairman shall serve at the pleasure of the Board and Committee members may be removed from the Committee, with or without cause, by the Board at any time upon a majority vote of the Board. If a Chairman is not designated by the Board or present at a meeting, the

Committee may designate a Chairman by majority vote of the Committee members then in office.

The Company Secretary will attend all meetings of the Committee and will provide all necessary support to the Committee. The minutes of each meeting will be distributed to all directors and attendees as appropriate taking into account any conflicts of interest which may exist. Reports will be made to the Board following each meeting of the Committee by the Chairman of that meeting.

IV. Authority

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee. The Committee shall have the authority to:

1. Make recommendations to the Board annually regarding the firm of certified public accountants to be employed by the Company as its independent auditors for the ensuing year and reviewing the engagement of the independent auditors, including the scope, extent and procedures of the audit, the compensation to be paid therefor and all other matters directly incidental to this.
2. Oversee and evaluate the Company's independent auditors, and make recommendations to the Board regarding appropriate courses of action to be taken in connection with services performed for the Company by the independent auditors, including their retention or replacement.
3. Periodically review the qualifications, independence and performance of the independent auditors .Meet with the independent auditors and financial management of the Company (which meeting may be done telephonically) to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
4. Review the financial statements with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements.
5. Review with the independent auditors and the Company's financial and accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable.
6. Meet with corporate management and with the independent auditors, to discuss the annual audited financial statements, including footnotes. In discharging this obligation, receive and review, if necessary, a report from corporate management as to any unusual deviations from prior practice that were included in the preparation of the annual financial results.

7. Resolve disagreements, if any, between management and the independent auditors regarding financial reporting.
8. Review and approve any changes in material accounting principles.
9. Provide sufficient opportunity for the independent auditors to meet with the members of the Committee without members of management present to enable them to perform their duties in the most efficient and cost effective manner (may be done telephonically). Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting and auditing personnel and the cooperation that the independent auditors received during the course of the audit.
10. Discuss with management and the independent auditor any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements, financial reporting process, accounting policies or internal audit function.
11. Discuss with management the Company's policies with respect to risk assessment and risk management, including the Company's significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures.
12. If determined by the Committee to be reasonably advisable, establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
13. Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.
14. Review the Committee's charter annually and recommend to the Board any necessary updates.

The Committee shall report its findings and recommendations to the Board as requested in connection with meetings of the Board.

The Committee shall also perform any other tasks or assignments required by law, the Bylaws, the Board or any other committee to which such authority is delegated by the Board.

V. Procedures

- A. *Meetings.* The Committee shall meet at the call of its Chairman or a majority of the members of the Committee, as the Chairman or such members may deem necessary or desirable. Meetings of the Committee may be in person, by

conference call or by unanimous written consent, in accordance with the Company's Bylaws. Meetings of the Committee shall be held at such time and place, and upon such notice, as its Chairman or a majority of the members of the Committee may from time to time determine.

Meetings may, at the discretion of the Committee, include other directors, members of the Company's management, independent advisors and consultants or any other persons whose presence the Committee believes to be necessary, desirable or appropriate. Those in attendance may observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any director that is not a member of the Committee and any member of management.

- B. *Quorum and Approval.* A majority of the Committee's members constitutes a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous written consent in lieu of a meeting.
- C. *Minutes and Records.* The Secretary shall keep regular minutes of the Committee's meetings, which shall be reported to the Board when requested and submitted by the Secretary for inclusion in the corporate records. The Committee may keep such additional records related to its meetings as it deems appropriate.
- D. *Review of Charter.* The Committee may, from time to time, review the need for changes in this Charter and recommend any proposed changes to the Board for approval.
- E. *Reimbursement of Expenses.* Committee members will be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as Committee members.

Supervision of Committee. The Committee shall be supervised by the Board.

VI Reporting Responsibilities

The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within the duties and responsibilities and shall also formally report to the Board on a regular basis on how it has discharged its responsibilities. This report shall include:

- The significant issues that it considered in relation to the financial statements;
- The assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- Other issues on which the Board has requested the Committee's opinion.

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While the Committee members have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise expressly provided under applicable federal or state law.

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