Quarterly Report

November 1, 2012 – January 31, 2013

Address:

4020 Kidron Road
Suite #4
Lakeland
Florida 33811
Phone: + 1 801 973 9136
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Email: directors@codaoctopusgroup.com
Symbol: CDOC

March 31, 2013

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. See the section entitled "Risk Factors", contained hereinfor a discussion of these and other 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.

Table of Contents

1) Name of the issuer and its predecessors (if any)

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

2) Address of the issuer's principal executive offices

<u>Company Headquarters</u>

Suite #4, 4020 Kidron Road
Lakeland
FL 33811, USA
+1 801 973 9136
directors@codaoctopusgroup.com
www.codaoctopusgroup.com

<u>IR Contact</u>

Suite #4, 4020 Kidron Road
Lakeland
FL 33811, USA
+1 801 973 9136
info@codaoctopusgroup.com
www.codaoctopusgroup.com

3) Security Information

Trading Symbol: CDOC
Exact title and class of securities outstanding: Common Stock and Series A Preferred
CUSIP: 19188U 10 7
Par or Stated Value: 0.001 (Common Stock)
Total shares authorized: 155,000,000 as of: January 31, 2013 (150,000,000 Common Stock and 5,000,000 Preferred Stock)
Total shares of Common Stock outstanding as of January 31, 2013: 89,754,976
Total shares of Preferred Stock outstanding as of January 31, 2013: 6,287

Transfer Agent

Olde Monmouth Stock Transfer Co., Inc.
200 Memorial Parkway
Atlantic Highlands
New Jersey 07716
+1 732 872-2727

The Transfer Agent is registered under the Exchange Act.

List any restrictions on the transfer of security:

Other than statutory limitations on the transfer of restricted shares, none.

Describe any trading suspension orders issued by the SEC in the past 12 months.

None.

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

During November and December 2010, the Company issued an aggregate of 15,939,286 shares of common stock to holders of warrants to purchase common stock of the Company in exchange for the cancellation of such warrants and the securities purchase agreements under which the warrants and common stock were sold. The issuance of these shares was exempt from registration under Section 3(9) of the Securities Act of 1933, as amended.

On November 15, 2010, the Company issued 750,000 shares to an entity in consideration for services rendered.

On May 4, 2011, the Company issued 300,000 shares to its legal counsel in consideration for services rendered.

On February 21, 2012, the Company issued 100,000 shares to one of its directors as compensation for director services performed.

On July 26, 2012, the Company issued 15,315,316 shares to Solidor Investments Limited in consideration for the restructuring of certain debt obligations to that entity as well as the payment of interest in the amount of $1,020,000. The Company has been advised that Phillip van der Westhuizen has voting and investment power over the shares held by Solidor Investments Limited.

All securities were issued pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, under Section 4(2) thereunder (except as specifically set forth above), as they were issued in reliance on the recipients' representation that they were accredited (as such term is defined in Regulation D), without general solicitation and represented by certificates that were imprinted with a restrictive legend. In addition, all recipients were provided with sufficient access to Company information.

5) Financial Statements

Unaudited interim financial statements for Coda Octopus Group, Inc. for the period ended January 31, 2013 are included in this Quarterly Report at pages 22 through to 25. The unaudited financial statements contain:

1.	Condensed consolidated statements of operations and comprehensive income (loss) for the three months ended January 31,2013 (Unaudited) and 2012 (Unaudited)
2.	Condensed consolidated balance sheet as of January 31, 2013 (Unaudited) and October 31, 2012 (Audited)
3.	Condensed consolidated statement of stockholders' deficit for the three months ended January 31, 2013 (Unaudited)
4.	Condensed consolidated statements of cash flow for the three months ended January 31, 2013 (Unaudited) and 2012 (Unaudited)
5.	Notes to consolidated financial statements (Unaudited)

The unaudited consolidated financial statements include the accounts of Coda Octopus Group, Inc., 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. 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.

Management Discussions on Results from our Operations for the Three Months ended January 31, 2013

Comparison of the Three Months Ended January 31, 2013 to the Three Months Ended January 31, 2012

Revenues for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Revenues for the Three Months ended January 31, 2013*)	Percentage Change	Revenues for the Three Months ended January 31, 2012*)
$4,476,032	Increase of.8.6% ("Increase")	$4,122,067

*) Unaudited

We believe that the Increase in revenues shown above is due to a number of factors including an increase in the demand for our real time 3D sonar product the Echoscope® and the Underwater Inspection System™.

Gross Margins for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Margins for the Three Months ended January 31, 2013*)	Margins for the Three Months ended January 31, 2012*)
60.9% (gross profit of $2,727,127)	46.6% (gross profit of $1,920,808)

*) Unaudited

This increase in gross margin percentage over the year reflected a different mix of sales in our businesses. With the rehabilitation of the Group following restructuring we continue to seek more advantageous terms with our suppliers. This has, along with improved margins in the engineering businesses, contributed to the increase in the gross profit margin overall.

Research and Development (R&D) for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

R&D costs for the Three Months ended January 31, 2013*)	Percentage Change	R&D costs for the Three Months ended January 31, 2012*)
$296,681	Reduction of 16.8% ("Reduction")	$356,764

*) Unaudited

The Reduction in our Research and Development spending is consistent with our cost reduction program in the period. Going forward we would expect a modest increase in R&D to take account of further investments in product development, technology advancement and the establishment of a new production facility.

Selling, General and Administrative Expenses (SG&A) for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

SG&A for the Three Months ended January 31, 2013*)	Percentage Change	SG&A for the Three Months ended January 31, 2012*)
$1,400,845	Increase of 31.7% ("Increase")	$1,063,455

*) Unaudited

The Increase in our SG&A is attributable to a number of factors: (i) increased costs in the areas of sales and marketing, (ii) an exceptional one off amount attributed to sales bonuses paid to our sales team of $131,048, (iii) an exceptional one off cost associated with relocating our President of Technology to our operations in Coda Octopus Products, Inc. in Florida (approximately $88,000 to date) and (iv) increase in our Professional Fees due to the resumption of auditing our consolidated financial statements for the full financial year.

Key Areas of SG&A and R&D Expenditure across the Group for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Expenditure	January 31, 2013*)	Percentage Change	January 31, 2012*)
Wages and Salaries**	$1,040,708	Increase of 14.8%	$906,195
Legal and Professional Fees (including accounting, audit and investment banking services)	$171,377	Increase of 59.9%	$107,175
Travel Costs	$41,872	Increase of 39.8%	$29,961
Rent and office costs for our various locations	$161,349	Reduction of 5.2%	$170,152
Marketing	$58,937	Increase of 134.8%	$25,100

*) Unaudited

**) These amounts include exceptional payment of performance related sales bonuses of $131,048 paid to sales and other personnel.

In keeping with our plans to invest in securing the opportunities in the Americas our SG&A includes exceptional costs attributed to the relocation of our President of Technology to our operations in Coda Octopus Products, Inc. (Lakeland, Florida). Further the management anticipates going forward that we will start to prudently reinvest in some of these areas, such as sales and marketing, as we have above, which will probably involve selectively increasing other areas of expenditure, such as travel costs. We would also anticipate our legal and professional fees to increase as the Company continues to re-establish itself. These figures are therefore likely to increase in years going forward.

Operating Income and/or Loss for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Operating Income for the Three Months ended January 31, 2013*)	**Percentage Change**	**Operating Income for the Three Months ended January 31, 2012*)**
$1,029,600	Increase of 105.7% (“Increase”)	$500,589

***)** Unaudited

This Increase is largely attributable to the restructuring of the business and recalibrating the SG&A expenditures of the business.

Other Income for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Other Income for the Three Months ended January 31, 2013*)	**Percentage Change**	**Other Income for the Three Months ended January 31, 2012*)**
$23,769	Reduction of 94.0%	$397,773

***)** Unaudited

Our income statement has historically contained unusually high amounts relating to Other Income. We anticipate a large portion of the Other Income will be non-recurring going forward. These amounts resulted largely from our restructuring during the fiscal years 2010 and 2011 under which we realized certain reductions of our commitments under various arrangements. Our expectation is that Other Income will reduce to less than $50,000 per annum going forward.

Interest Expense for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Interest Expense for the Three Months ended January 31, 2013*)	**Percentage Change**	**Interest Expense for the Three Months ended January 31, 2012*)**
$406,882	Reduction of 12.0%	$462,180

*) Unaudited

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

Net Income or Loss for the Three Months ended January 31, 2013 compared to the Three Months ended January 31, 2012

Net Income for the Three Months ended January 31, 2013*)	**Percentage Change**	**Net Income for the Three Months ended January 31, 2012*)**
$651,343	Increase of 49.2%	$436,430

*) Unaudited

This Increase is attributable to the restructuring of the business under which SG&A was reduced over time.

Inflation and Foreign Currency.

The Company maintains in local currency: 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 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. A large part of the Company's revenues and direct costs of sales are in Sterling. Sterling has dropped significantly and is reported as the "potentially weakest major currency of 2013"[1]. This will significantly affect our foreign revenues reported. In the future, we may engage in hedging transactions to mitigate foreign exchange risks.

During the Three Months Ended January 31, 2013, a summary of our material foreign currency transactions include:

	UK £	$	NKr	$	Total $
Revenues from foreign subsidiary	1,042,548	1,670,058	10,000	1,776	1,671,834
Direct Costs of foreign subsidiaries	579,359	928,075	1,603,564	284,793	1,212,868

The prevailing exchange rates during the Three Months Ended January 31, 2012 ranged between $1.5692 and $1.6250 for Pound Sterling and between $0.1729 and $0.1831 to the Norwegian Kronor for the same period. The above are calculated at $1.6019 and $0.1776 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.

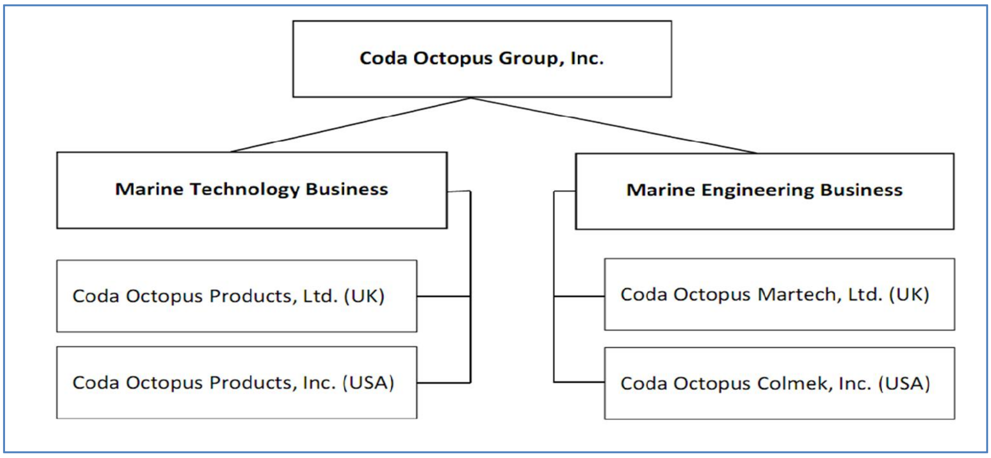
6) Describe the Issuer's Business, Products and Services

Overview

Coda Octopus Group, Inc. and its subsidiaries ("the Company", "we", "us", "our Group") are experts in sub-sea marine technology. We are also in marine engineering provided through two of our wholly owned subsidiaries.

Our Group Structure is as follows:

[1] 'The Economist', (March 2nd – 8th) 2013.



Our SIC code 3812–Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments.

Our Group comprises the sub-sea marine technology operations which are conducted through our two wholly owned subsidiaries, Coda Octopus Products Limited (United Kingdom) and Coda Octopus Products, Inc. (USA.). We believe that our sub-sea marine technology operations have a unique market lead over our sonar competitors as the Company is the holder of patented real time 3D subsea technology, marketed under the name Echoscope®.

The Echoscope® generates high resolution real time images of the underwater environment and gives particular benefits in turbid/zero visibility environments. The Echoscope® gives the user sound underwater intelligence in real time. We are unaware of any other sonar devices which have 3D real time visualization capabilities with the range and resolution of the Echoscope®.

We believe the software used with the Echoscope® to be cutting edge providing unparalleled real time images of subsea environments. We further believe that we can maintain this lead as a consequence of the significant research and development resources we have invested, and continue to invest in this field. We also believe that the Echoscope® technology has significant potential to displace conventional 2D sonar tools and multi-beam sonar devices in a number of core applications.

The Group also comprises the marine and defense engineering operations conducted through two of our wholly owned subsidiaries, Coda Octopus Colmek, Inc. ("**Colmek**") based in the USA and Coda Octopus Martech Limited ("**Martech**") based in the United Kingdom.

Our marine engineering and defense operations, which have long established engineering experience, mainly provide their services to prime and second level defense contractors, quasi-government institutions and the like. Frequently, they secure repeat revenues from developing prototypes which then turn into long term manufacturing contracts. For example, Colmek has been a supplier of key components in the Phalanx ship defense program for several years running.

Similarly, Martech is now in the Customer Acceptance Phase of a prototype decontamination oven which is expected to form part of the ground equipment for a major international military aircraft program. Under the Customer Acceptance Phase Martech has delivered the prototype decontamination oven to the customer who is subjecting this to its own verification testing. If the prototyping is successful, we would expect that the customer will adopt this as a piece of standard ground equipment for the aircraft in question and Martech will be the incumbent for the production of this product.

Each of these operations has the requisite accreditation for the work it does and includes:

- Martech is LRQ accredited ISO9001:2008 and TickIT Guide Issue 5.5.
- Colmek is ISO9001:2008 compliant.

In addition, we also have a research and development facility operated through Coda Octopus R&D AS in Norway and Coda Octopus R&D Limited in the United Kingdom.

Recent Developments

Our Group has been undergoing a restructuring since October 2009. The Company has since adopted a policy of continual and vigorous analysis of our allocation of our resources which has resulted in year on year improvements in margins.

Since the Group became a US public company and moved its headquarters to New York in 2005, it had been reporting continuing and significant losses until 2009.

A new senior management and board were put in place in September 2009 to address these and the other historical problems of the Group. Since September 2009, the focus and strategy of the new management has been to restructure the Group by:

- negotiating the removal of certain barriers to new investments that were contained in a series of securities purchase agreements entered into between the Company and a group of accredited investors between April and May 2007;
- reducing the Group's cost base significantly;
- simplifying the Group structure;
- restructuring some of the Group's debts; and
- taking the business to profitability and sustainable growth.

In connection with its costs reduction strategy, our 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 annual savings of approximately $1,200,000 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 we believe positions the Group operations as viable and profitable. As we cautiously increase sales and marketing staff, we anticipate SG&A of the Group to continue for the foreseeable future to remain under $6,000,000:

Fiscal year –November 1 – October 31	Status of Financial Information	SG&A	Revenues	SG&A / Revenues
Full Fiscal Year 2007 – 08	Audited	$13.2m	$17.0m	78%
Full Fiscal Year 2008 – 09	Audited	$11.2m	$13.2m	85%
Full Fiscal Year 2009 – 10	Unaudited	$7.7m	$11.5m	67%
Full Fiscal Year 2010 – 11	Unaudited	$5.3m	$15.7m	34%
Full Fiscal Year 2011 – 12	Audited	$4.9m	$21.1m	23%
Three Months ended January 31, 2013	Unaudited	$1.4m	$4.5m	31%

At October 31, 2009, the Group had accumulated payables and accrued expenses and other current liabilities of $7,016,203. This consisted 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, among other things, reschedule some of the Group's liabilities with its creditors, particularly in Coda Octopus Martech and to use most of the income generated in the course of the business to satisfy these backed up payables.

Since October 2009 we have managed to reduce the $4,626,164 of accrued expenses and other current liabilities to $762,720 as of January 31, 2013, a reduction of 84%, while the payables have also been reduced to $1,423,251.

As of January 31, 2013 the remaining items within our accrued expenses and other current liabilities comprises current items that are incurred in the ordinary course of our operations such as sales pre-payments and provision for taxes and other matters.

A key achievement of our restructuring was to reschedule over four years of $945,000 in certain liabilities of our wholly owned subsidiary Coda Octopus Martech Limited ("Martech"). This amount has now been reduced to approximately $345,000. Martech pays approximately $200,000 per year. As of the date of this document, Martech is current under this arrangement, and will need to keep current to avoid adverse consequences.

In February 2008 the Company issued $12 million in 8.5% transferrable convertible senior secured debentures that are due on February 21, 2015 ("Debentures"). At the option of the Debenture Holder, the Debentures are convertible into common stock of the Company at $1.05 per share. Under a Deed of Amendment entered into between the Company and the Debenture Holder on or around April 30, 2012, the annual coupon payment date obligation was rescheduled to $250,000 payable in cash on or before November 1 each year with the remainder postponed to maturity date or redemption (whichever occurs first). Under the terms of this amendment, following the Company's yearly audit, the Company and Debenture holder will review the level of annual coupon based on the cash position of the business shown in the audit.

The Company will either have to generate sufficient cash to redeem the Debentures or come to some arrangements with the Debenture Holder to settle, reduce and/or reschedule the Debentures in whole or in part.

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 the Debenture are serviceable by the Company. Current revenues and cost levels of the Group are in keeping with the obligations of servicing the Debenture.

The Management believes that the failure to maintain our annual SG&A expenditures under $6 million and achieve revenues in excess of $16 million annually will threaten our ability to sustain our profitability going forward.

Ongoing Restructuring Plans

The Company's Balance Sheet currently includes $15,244,357 in Senior Secured Debentures which were issued in February 2008 and which provides for a 30% redemption premium. This amount includes provisions in our accounts for principal, interests and redemption premium accrued to date. The Debentures mature on February 21, 2015 ("Debt").

The Board of Director's goal is to work with the current Debenture Holder to reach agreement during the current fiscal year on the restructuring of the Debt which we believe will be beneficial to all stockholders as reduction of the Debt will increase the value of the business. Nevertheless, it is most unlikely that the Company will be able to pay in cash $15,244,357 (plus additional redemption premiums which is incurred daily until redemption of the Debt). Therefore it is probable that the Company will negotiate the issuance of shares to satisfy a part of the Debt at a price which is more in keeping with the market price (and not the conversion price of $1.05 provided for in the Debentures). The Company intends to engage an investment bank or other professional valuer to assist it in structuring a transaction that would reduce or eliminate the Company's Debt.

We believe that the reduction or elimination of the Debt will positively impact the value of the Business and enhance its prospects going forward.

Subsequent events

On February 7, 2013, we received notice of transfer of the Debentures from Solidor Investments Limited to CCM Holdings, LLC, a New Jersey Limited Liability Company.

Under the terms of the Deed of Amendment entered into between the Company and the Debenture Holder on or around April 30, 2012, the parties have now agreed that the annual coupon for the current year is $510,000, payable on or before November 1, 2013. The remaining $510,000 is payable on the maturity date of the Debentures or redemption (whichever occurs first), unless otherwise agreed between the Parties.

On March 5, 2013, the Board of Directors agreed to issue to CCM Holdings, LLC 4,021,280 shares of our common stock in full and final satisfaction of an amount of $571,036 (which formed part of a series of small loans which the Debenture Holder had made available as working capital to the business in March 2011) and in consideration for postponing part of the coupon to maturity. The shares, which are restricted, were valued at $0.142, representing a 24% premium over the then market price of the common stock, on the date that the Board approved the issuance in lieu of this obligation.

7) Describe the Issuer's Facilities

Lakeland, Florida, USA. Our corporate offices, which co-locate with our wholly owned subsidiary, Coda Octopus Products, Inc., are located at 4020 Kidron Road, Lakeland, Florida 33811, USA, where the Company on or around November 14, 2012 acquired a property comprising 4,154 square feet office and warehouse space and testing facilities.

Salt Lake City, Utah, USA. Our wholly owned subsidiary, Coda Octopus Colmek, Inc. leases 7,170 square feet of business premises at 1775 South 4130 West, Suite A, Salt Lake City, Utah 84104, comprising both office space and manufacturing and testing facilities. The lease provides for a monthly rental of $7,107 excluding property tax and utilities and is during the term subject to an annual rental increase of 3% every April. The lease expires on September 30, 2014.

Edinburgh, Scotland, United Kingdom. Our wholly owned United Kingdom subsidiary, Coda Octopus Products Ltd, leases business premises comprising 4,099 square feet and located at 2nd Floor, Anderson House, 1 Breadalbane Street, Edinburgh, EH6 5JR, United Kingdom. These premises are used as offices. The building is located close to the Port of Leith and the Firth of Forth, which is convenient for conducting trials and demonstrations of our products. The lease provides for an annual rental for:

- September 2012 – September 2013 the equivalent of $65,190;
- September 2013 – September 2014 the equivalent of $78,228; and
- September 2014 to September 2015 $84,747

This lease expires on September 26, 2016. The rent is stated in British Pounds and is therefore subject to exchange rate fluctuations. Pursuant to the provisions of the lease, subject to giving 9 months' notice we may terminate the lease without penalty on September 27, 2014.

This subsidiary also leases testing facility at 8 Corunna Place, Edinburgh EH6 5JG on a 3 month rolling lease agreement. The annual rent for this facility is $10,400.

Weymouth, England, United Kingdom. Our wholly owned United Kingdom subsidiary, Coda Octopus Martech Ltd, leases business premises located at 14 Albany Road, Granby Industrial Estate, Weymouth, Dorset, DT4 9TH, United Kingdom, comprising 5,000 square feet. This space comprises both office space and manufacturing and testing facilities. The lease provides for an annual rent of the equivalent of $47,076 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations) and expires on September 30, 2013. The lease provides for an annual rent increase of 3% of the last annual rent.

Bergen, Norway. Our wholly owned Norwegian subsidiary, Coda Octopus R&D AS, leases 2,370 square feet of business premises in a recently refurbished maritime business center directly on the waterway connected to Bergen harbor. This facility serves as our Research and Development center with purpose-built laboratories for electronic and mechanical development. The lease provides for a rental of the equivalent of $44,911 (the rent is stated in Norwegian Kroners and is therefore subject to exchange rate fluctuations) per annum and expires on May 31, 2015.

All non-USD rents are stated at the prevailing exchange rates.

8) Officers, Directors, and Control Persons as of January 31, 2013

Officers and Directors:

- Michael Hamilton, Director and Chairman of the Board, Maywood, New Jersey, USA
- Annmarie Gayle, LL.B, LLM, Group Chief Executive Officer and Director - Denmark
- Geoff Turner, Executive Director, England, United Kingdom
- Blair Cunningham, President of Technology and Director, USA
- Mike Midgley, Acting Chief Financial Officer, USA and CEO of our subsidiary Coda Octopus Colmek, Inc.

Control persons as of January 31, 2013:

- Greenhouse Investments Limited
- Solidor Investments Limited

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or

otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

No director, officer or control person has to the knowledge of the Company in the last five years been the subject of any of the actions or issues listed under items 1 through 4 above.

C. <u>Beneficial Shareholders.</u> Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

At January 31, 2013 the following persons were recorded as beneficially owning more than ten percent (10%) of the issuer's common stock:

Shareholder	**Number of Common Stock / (%)**
Greenhouse Investments Limited 1st floor, Liberation Station The Esplanade St Helier, Jersey JE2 3AS British Channel Islands Michael O'Leary Collins has voting and dispositive power over the shares held by this entity. The Company has been advised that Jason Lee Reid (prior CEO of Coda Octopus Group, Inc.) has an option to acquire 67.5% of these shares subject to certain conditions.	24,849,850 / (27.7%)

Shareholder	Number of Common Stock / (%)
Solidor Investments Limited[1] c/o Ecovis Luxembourg s.a.r.l. 56 rue Charles Martel L-2314 Luxembourg The Controlling Individual of Solidor Investments Limited is Phillip van der Westhuizen of the address shown herein	15,315,316 / (17.1%)

[1] Does not include 11,428,571 shares of common stock issuable upon conversion of Debentures at $1.05 per share. A reduction in the conversion price, which may be made as a result of a renegotiation of the Debentures, is likely to increase significantly the numbers of shares issuable upon conversion thereof.

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel
Louis A. Brilleman, P.C.
1140 Avenue of the Americas, 9th Floor
New York, NY 10036
+1 212-584-7805
lbrilleman@lbcounsel.com

Accountant or Auditor
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10) Issuer Certification

I, Annmarie Gayle, certify that:

1. I have reviewed this quarterly disclosure statement for the period ending January 31, 2013 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 31, 2013

/s/ Annmarie Gayle
Group CEO

CODA OCTOPUS GROUP, INC.

Index to consolidated unaudited financial statements

Condensed consolidated statements of operations and comprehensive loss/gain for the Three Months ended January 31, 2013 (Unaudited) and October 31, 2012 (Audited)

Coda Octopus Group, Inc

-

Consolidated Accounts

Income Statement		**Three Months Ended January 31st, 2013**		**Three Months Ended January 31st, 2012**
Net Revenue	$	4,476,032	$	4,122,067
Cost of Revenue		1,748,906		2,201,259
Gross Profit		**2,727,127**		**1,920,808**
Research & Development		296,681		356,764
Selling, General & Administrative		1,400,845		1,063,455
Operating Income/Loss		**1,029,600**		**500,589**
Other Income (Expense)				
Other Income		23,769		397,773
Interest Expense		(406,882)		(462,180)
Gain (loss) on change in fair value of derivative liability		4,856		248
Unrealized gain on sale of investment in marketable securities				-
Realized gain on the sale of marketable securities				-
Total other income (expense)		**(378,257)**		**(64,159)**
Income (Loss) before income taxes		651,343		436,430
Income tax refund		-		-
Net Income (Loss)	**$**	**651,343**	**$**	**436,430**
Preferred Stock Dividends				
Series A				-
Series B				
Beneficial Conversion Feature				
Net Income (Loss) Applicable to Common Shares	**$**	**651,343**	**$**	**436,430**
Income (Loss) per share, basic and diluted	$	0.01	$	0.01
Weighted average shares outstanding		89,754,976		74,339,665
Comprehensive loss				
Net income (loss)	$	651,343	$	436,430
Foreign currency translation adjustment		(56)		34,385
Unrealized gain (loss) on investment		-		-
Comprehensive income (loss)	$	651,288	$	470,815

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

Condensed consolidated balance sheets as of January 31, 2013 (Unaudited) and October 31, 2012 (Audited)

Balance Sheet	January 31st, 2013	October 31st, 2012
Assets		
Current Assets		
Cash and Cash Equivalents	$ 5,317,974	$ 5,177,879
Short Term Investments, Note 3	2,231	2,231
Accounts Receivables, net of allowance for doubtful accounts	2,603,107	2,632,101
Inventory	2,253,250	2,380,188
Unbilled Receivables, Note 2	423,338	694,951
Other current assets, Note 3	354,176	649,131
Prepaid Expenses	1,436,043	1,500,512
Total Current Assets	**12,390,119**	**13,036,993**
Property and Equipment, net, Note 4	550,407	251,382
Goodwill and other intangibles, net, Note 5	3,738,895	3,758,923
Total Assets	**$ 16,679,421**	**$ 17,047,298**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable, trade	$ 1,423,251	$ 1,825,768
Accrued Expenses and other current liabilities	762,720	1,476,550
Short term loan payable	821,365	821,365
Loans and note payable, short term, Note 11	510,000	250,000
Warrant liability, Note 8	46	4,902
Deferred revenues, Note 2	3,094,500	3,126,034
Total Current Liabilities	**6,611,883**	**7,504,619**
Loans and note payable, long term, Note 11	14,895,409	15,021,838
Total Liabilities	**21,507,292**	**22,526,457**
Contingencies and Commitments, Note 10		
Stockholders' deficiency:		-
Preferred stock, $.001 par value; 5,000,000 shares authorized,	6	6
6,287 Series A issued and outstanding, as of		-
January 31, 2013 and October 31, 2012, respectively		-
Nil shares Series B issued and outstanding as of		-
January 31, 2013 and October 31, 2012, respectively		-
Common stock, $.001 par value; 150,000,000 shares	89,755	89,755
authorized, 89,754,976 shares issued and outstanding		-
as of January 31, 2013 and October 31, 2012		-
Additional paid-in capital	48,463,381	48,463,381
Accumulated other comprehensive loss	(767,026)	(766,971)
Accumulated deficit / surplus	(52,613,986)	(53,265,330)
Treasury Stock		
Capital Surplus		
Currency Translation Adjustments	-	
Total Stockholder's Deficit	**(4,827,871)**	**(5,479,159)**
Total liabilities and stockholders' deficit	**$ 16,679,421**	**$ 17,047,298**

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

Condensed consolidated statement of stockholders' deficit for the Three Months ended January 31, 2013 (Unaudited)

	Preferred Stock Series A		Common Stock		Stock	Additional Paid-in	Accumulated Other	Accumulated	
	Shares	Amount	Shares	Amount	Subscribed	Capital	Comprehensive loss	Deficit	Total
Balance, October 31, 2012	6,287	6.10	89,754,976	89,754.69	-	48,463,381.01	- 766,970.89	- 53,265,329.16	- 5,479,158.43
Foreign currency translation adjustment							- 55.57		- 55.57
Net Income								651,343.09	651,343.09
Balance, January 31, 2013	6,287	6.10	89,754,976	89,754.69	-	48,463,381.01	- 767,026.46	- 52,613,986.07	- 4,827,870.91

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

Condensed consolidated statements of cash flows for the Three Months ended January 31, 2013 (Unaudited) and 2012 (Unaudited)

Cash Flow	**Three Months Ended January 31st, 2013**	**Three Months Ended January 31st, 2012**
Cash Flows from Operating Activities		
Net income/(loss)	$ 651,343	$ 436,430
Adjustments to reconcile net loss to net cash		
used by operating activities:		
Depreciation and amortization	91,415	31,716
Stock based compensation	-	16,185
Change in fair value of warrant liability	(4,856)	(248)
Financing costs	133,571	380,988
Impairment of investment of marketable securities	-	-
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	28,994	1,487,606
Inventory	126,938	149,249
Prepaid expenses	64,470	(211,707)
Unbilled receivables and Other assets	566,568	(101,354)
Intercompany receivables	-	
Increase (decrease) in current liabilities:		-
Accounts payable and accrued expenses	(1,116,346)	(1,128,475)
Deferred revenues	(31,535)	(456,187)
Sundry Creditors	-	-
Net cash (used)/generated by operating activities	510,562	604,203
Cash Flows from Investing Activities		
Purchases of property and equipment	(342,105)	(30,796)
Purchases of intangible assets	(28,307)	59,480
Cash subject to restriction	-	-
Cash acquired from acquisitions	-	-
Net cash provided by/(used in) investing activities	(370,412)	28,684
Cash Flows from Financing Activities		
Proceeds from/(repayments of) loans	-	(471,784)
Proceeds for sale of marketable security	-	-
Shares issued for bond interest	-	-
Stock Buy Back	-	-
Deferred payment related to acquisitions	-	-
Preferred stock dividend	-	-
Net cash (used)/provided by financing activities	-	(471,784)
Effect of exchange rate changes on cash	(55)	$ 34,384
Net (decrease)/increase in cash	**140,096**	**195,487**
Cash and cash equivalents, beginning of period	5,177,878	1,398,289
Cash and cash equivalents, end of period	$ 5,317,974	$ 1,593,776

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

CODA OCTOPUS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2013 (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 three month period ended January 31, 2013, are not necessarily indicative of the results that may be expected for the year ended October 31, 2013. The unaudited condensed financial statements should be read in conjunction with the consolidated audited financial statements of October 31, 2012 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 following a reverse merger with The Panda Project in 2004. We produce and sell subsea products (software and hardware including patented products such as our real time 3D Sonar. We also provide engineering services for mainly prime and sub-prime defense contractors and subsea clients.

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 our subsidiaries are 100 owned.

All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

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 January 31, 2013 and $nil for the year ended October 31, 2012. We have not realized any actual bad debt expense during these periods.

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 January 31, 2013 and October 31, 2012:

		Jan 31, 2013		**Oct 31, 2012**
Raw materials	$	1,204,507	$	1,055,868
Work in progress	$	180,563	$	266,882
Inventory – Demonstration Asset Pool	$	595,939		622,811
Finished goods	$	272,242	$	394,628
Total inventory	$	2,253,250	$	2,380,188

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 loss per share for the three months ended January 31, 2013:

		Three Months Ended January 31, 2013
Net income used in computing basic net income per share	$	651,343
Impact of assumed assumptions:		
Gain on warrant liability marked to fair value	$	4,856
Net income in computing diluted net gain or loss per share:	$	651,343

Per share basic and diluted net income amounted to $0.01for the period ended January 31, 2013. Per share basic and diluted net gain amounted to $0.06 for the year ended October 31, 2012.

Liquidity

As of January 31, 2013, we had:

Cash and Cash Equivalents	$5,317,974
Working Capital Surplus	$5,778,236
Deficiency in Stockholders' Equity	$4,827,871
Accumulated Deficit	$52,613,986

For the three month period ended January 31, 2013, we had:

Net Income	$651,343
Positive Cash Flow from Our Operations	$510,562

The Company is dependent upon its ability to generate revenue from the sale of its products and services to generate cash to cover operation and implement its business plan including servicing its obligations.

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, on 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 $423,338 and $694,951 as of January 31, 2013 and October 31, 2012 respectively.

Our Deferred Revenue of $3,094,500 consists of the categories below.

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 $2,622,902 and $2,547,334 as of January 31, 2013 and October 31, 2012 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 $471,598 and $578,700 as of January 31, 2013 and October 31, 2012 respectively.

NOTE 3 - OTHER CURRENT ASSETS

Other current assets on the balance sheet total $354,176 and $649,132 at January 31, 2013 and October 31, 2012 respectively. These totals comprise the following:

		Jan 31, 2013		Oct 31, 2012
Deposits *	$	99,123	$	93,942
Other receivable	$	255,053	$	555,190
Total	$	354,176	$	649,132

*This amount represents amounts held by third parties to secure certain of our obligations undertaken in the ordinary course of our business, such as rent deposits.

The balance sheet also showed VAT refunds owed to the Company at $176,488 and $366,800 as at January 31, 2013 and October 31, 2012 respectively.

NOTE 4 - FIXED ASSETS

Property and equipment (including Real Property) at January 31, 2013 and October 31, 2012 is summarized as follows:

	Jan 31, 2013	Oct 31, 2012
Machinery, property improvements and equipment	$ 982,488	$ 949,201
Real Property	$ 300,000	
Accumulated depreciation	$ (732,080)	$ (697,819)
Net property and equipment assets	$ 550,407	$ 251,382

Depreciation expense recorded in the statement of operations for the period ended January 31, 2013 and the year ended October 31, 2012 is $7,199 and $192,913 respectively.

This includes real property which the Company purchased on or around November 14, 2012 and comprising 4,154 square feet of office and warehouse space in Lakeland, Florida.

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 in this period and based on the methodology used by the Company we have concluded that goodwill was not impaired as at January 31, 2013 and therefore remains unchanged.

The identifiable intangible assets acquired and their carrying value at January 31, 2013 and October 31, 2012 is:

		Jan 31, 2013		Oct 31, 2012
Customer relationships (weighted average life of 10 years)	$	694,503	$	694,503
Non-compete agreements (weighted average life of 3 years)		198,911	$	198,911
Patents (weighted average life of 10 years)	$	106,739	$	106,739
	$			
Total amortized identifiable intangible assets - gross carrying value	$	1,000,153	$	1,000,153
Less accumulated amortization	$	(643,366)	$	(623,338)
	$		$	
Net	$	356,786	$	376,815

Estimated annual amortization expense as of January 31, 2013 is as follows:

Years Ending October 31:		
2013	$	80,114
2014	$	80,113
2015	$	80,114
2016	$	80,113
2017	$	56,361
Total	$	376,815

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to $20,028 and $79,069 for the period ended January 31, 2013 and year ended October 31, 2012, 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 period November 1, 2012 to January 31, 2013 no shares of common stock were issued by the Company.

The Company has issued and outstanding 89,754,976 shares of common stock as of March 11, 2013.

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 Expired or Cancelled
Number of options which expired or were cancelled in the 12 months period ended October 31, 2012	325,900
Period ended January 31, 2013	10,000

NOTE 7 - WARRANTS AND STOCK OPTIONS

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

Warrants	Three months ended January 31, 2013		Year ended October 31, 2012	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of the period	600,000	$ 1.50	5,459,418	$ 1.47
Granted during the period	—	—	—	—
Terminated during the period	—	—	(4,859,418)	1.47
Outstanding at the end of the period	600,000	$ 1.50	600,000	$ 1.50
Exercisable at the end of the period	600,000	$ 1.50	600,000	$ 1.50

The number and weighted average exercise prices of warrants outstanding as of January 31, 2013 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
0.50	-	-	-
0.58	-	-	-
1.00	-	-	-
1.30	300,000	0.06	300,000
1.70	300,000	0.06	300,000
Totals	600,000	0.06	600,000

Stock Options	Three Months ended January 31, 2013			Year ended October 31, 2012		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding at beginning of the period	235,000	$	1.25	560,000	$	1.43
Granted during the period	—		—	—		—
Terminated during the period	(10,000)		1.48	(325,000)	$	1.56
Outstanding at the end of the period	225,000	$	1.24	235,000	$	1.25
Exercisable at the end of the period	225,000	$	1.24	235,000	$	1.25

The number and weighted average exercise prices of stock purchase options outstanding as of January 31, 2013 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
1.00	—	—	—
1.05	50,000	2.35	50,000
1.30	175,000	0.53	175,000
1.50	—	-	—
1.70	—	-	—
Totals	225,000	0.93	225,000

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 January 31, 2013 we recalculated the fair value of the conversion feature subject to derivative accounting and have determined that the fair value at January 31, 2013 is $46. 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 0.04%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 313%; (4) an average expected life of the conversion feature of 0.08 years and (5) estimated fair value of common stock of $0.11 per share.

We have recorded a positive value of $4,856 during three months ended January 31, 2013 related to the change in fair value during this period.

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 $22,380,000 as of October 31, 2012, which expire 2026 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 $8,730,000 as of October 31, 2012. The Company has provided a valuation reserve against the full amount of the net operating loss benefit.

For income tax reporting purposes, the Company's aggregate UK unused net operating losses approximate $1,600,000 with no expiration. The deferred tax asset related to the carry-forward is approximately $320,000. The Company has provided a valuation reserve against the full amount of the benefits

Components of deferred tax assets as of January 31, 2013 and October 31, 2012 are as follows:

Non-Current	**Jan 31, 2013**	**Oct 31, 2012**
Net Operating Loss Carry Forward Benefit	$ 9,050,000	$ 9,050,000
Valuation Allowance	$ (9,050,000)	$ (9,050,000)
Net Deferred Tax Asset	$ —	$ —

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 $941,051, with the minimum future rentals due under these leases as of January 31, 2013 as follows:

Years Ending October 31 respectively:

2013	$ 165,686
2014	$ 171,986
2015	$ 10,620
Thereafter	0
Total	$ 348,292

Concentrations

Revenue Concentration

During the three months ended January 31, 2013, the Company had two customers generate sales greater than 10% of net revenues. Revenues from these customers were $1,412,285, or 31.6% of net revenues during the three months. Total accounts receivable from these customers at January 31, 2013was $327,638 (12.6% of accounts receivable).

NOTE 11 - NOTES AND LOANS PAYABLE

A summary of notes payable at January 31, 2013 and October 31, 2012 is as follows:

		Jan 31, 2013		Oct 31, 2012
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%. 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. Balance includes principal, accrued interest and accrued terminal conversion balance.	$	15,244,357	$	15,110,786
The Company, through its UK subsidiary Coda Octopus Products Ltd, has a 7 year unsecured loan note for £100,000 due April 30,2014; interest rate of 12% annually; repayable at maturity or convertible into common stock when the share price reaches $3.	$	161,052	$	161,052
Total	$	15,405,409	$	15,271,838
Less: current portion	$	(510,000)	$	(250,000)
Total Long-Term Loans and Notes payable	$	14,895,409	$	15,021,838

NOTE 12 –SUBSEQUENT EVENTS

On February 7, 2013, we received notice of transfer of the Debentures from Solidor Investments Limited to CCM Holdings, LLC, a New Jersey Limited Liability Company.

Under the terms of the Deed of Amendment entered into between the Company and the Debenture Holder on or around April 30, 2012, the parties have now agreed that the annual coupon for the current year is $510,000, payable on or before November 1, 2013. The remaining $510,000 is payable on the maturity date of the Debentures or redemption (whichever occurs first), unless otherwise agreed between the Parties.

On March 5, 2013, the Board of Directors agreed to issue to CCM Holdings, LLC 4,021,280 shares of our common stock in full and final satisfaction of an amount of $571,036 (which formed part of a series of small loans which the Debenture Holder had made available as working capital to the business in March 2011). The shares are restricted. The shares were valued at $0.142, representing a 24% premium over the then market price of the common stock, on the date that the Board approved the issuance in lieu of this obligation.