Coda Octopus Group, Inc.
Quarterly Report
November 1, 2014 – January 31, 2015

Address:

4020 Kidron Road
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Company Information

Symbol: CDOC
SIC Code: 3812-Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments
Fiscal Year: 10/31

March 31, 2015

OUR GROUP

Coda Octopus Group, Inc.

CodaOctopus
Sound Underwater Intelligence

COLMEK
A Coda Octopus Company

Martech
a Coda Octopus company

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
info@codaoctopusgroup.com
www.codaoctopusgroup.com

<u>IR Contact</u>

Suite #4, 4020 Kidron Road
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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: As of January 31, 2015 our authorized share capital comprise 150,000,000 Common Stock and 5,000,000 Preferred Stock)
Total shares of Common Stock issued and outstanding as of January 31, 2015: **93,919,213**
Total shares of Preferred Stock issued and outstanding as of January 31, 2015: **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.

On March 5, 2013 the Company issued 4,021,380 shares to CCM LLC in full and final satisfaction of an amount of $571,036 (which formed part of a series of small loans which the holder of the senior secured debt had made available as working capital to the business in March 2011) and in consideration for postponing to maturity a portion of certain interest payments on a debt obligation.

On July 24, 2014 the Company issued 142,857 shares of common stock to Core Fund LLP in return for the surrender of warrants to purchase shares of common stock of the Company. These warrants were issued to Core Fund in a financing transaction completed in May 2007. The warrants should have been exchanged for shares in October 2010 as part of the Company's restructuring efforts. As a result of administrative oversight, these shares were not issued until July 2014.

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. Similar restrictions and conditions also apply to the non-freely transferable shares that were issued prior to the last two financial years.

5) Financial Statements

Unaudited interim financial statements for Coda Octopus Group, Inc. for the period ended January 31, 2015 are included in this Quarterly Report at pages 27 through to 55. The **unaudited** financial statements contain:

1.	Condensed consolidated statements of operations and comprehensive income for the three months ended January 31, 2015 and 2014
2.	Condensed consolidated balance sheet as of January 31, 2015 (unaudited) and October 31, 2014 (Audited)
3.	Condensed consolidated statement of stockholders' surplus for the three months ended January 31, 2015
4.	Condensed consolidated statements of cash flow for the three months ended January 31, 2015 and 2014
5.	Notes to consolidated financial statements

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, 2015

The following brief overview highlights some of the major issues that currently impact the Company's business.

i. The Group's business is subject to influence from at least three factors:

a. the price of oil, which affects the ability of oil and gas companies and their suppliers to purchase technology such as that sold by the Group's Marine Technology Business.
b. the allocation of funds to defense procurement by governments in the USA and UK; and
c. the general economic environment.

ii. The Group has very limited external sources of liquidity available, and as such is reliant upon its ability to sell its products and services to finance its operations and service the Debentures. The Group currently has certain limited overdraft facilities from its bankers. However, we cannot guarantee that these facilities will continue to be available.

iii. The Marine Technology Business is seeing a change in the trends vis-à-vis its flagship product, the patented real time 3D sonar, marketed under the name "Echoscope®" and more customers are electing to lease (either from ourselves or our customers) rather than purchase the equipment. We are therefore experiencing competition from some of our customers who offer this product in the leasing market. If we fail to develop a strategy in response to this new trend (given our fixed overheads and cost of production etc.), this could have an adverse effect on the Group as a whole. This is further compounded by the substantial reduction in both capital and operational expenditure budgets in the oil and gas exploration sector. This means that we are also likely to see a reduction in the demand for the leasing/rental of our equipment and also purchase.

iv. The Company is being sued for alleged breach of contract and negligent misrepresentation by a number of investors who purchased shares of Common Stock and Warrants in the Company between April and May 2007 in a series of Securities Purchase Agreements between them and the Company. Among other things, they are seeking a number of shares that would give them absolute control of the Company. The Company denies their claims and intends to defend itself vigorously against these claims (See Page 21 of this report for more information on this claim).

A. Results of Operations

I. General Overview

During the reporting period, the Marine Technology Business continued to see a decline in its revenues due to the downturn in Oil and Gas (O&G) which has seen a significant re-rationalization of both capital and operational expenditure budgets. This downturn in the sector has resulted in a reduction in demand for our products in Oil and Gas markets. We continue to vigorously review our strategy and implement changes to our strategy to address the downturn in the O&G sector including focusing on new and affordable spin offs of our real time 3D technology.

During the reporting period, and as anticipated, our wholly owned subsidiary Coda Octopus Colmek Inc. saw a significant increase in its revenues as compared to the same period in the previous year. We would expect to see a consistently improved performance of this part of our business during this financial year.

During the reporting period, our wholly owned subsidiary Coda Octopus Martech Limited realized a loss due to delay in completion of customer contracts. This is largely due to unforeseen delays in Martech's supply chain and, when described in the Segment Reporting below, the level of inter-company sales which have been eliminated from our consolidated financial statements for the reporting period.

II. Segment Reporting

Due to the nature of our businesses, we are operating in two reportable segments, which are managed separately based upon fundamental differences in their operations. Coda Octopus Martech and Coda Octopus Colmek operate as contractors (Marine Engineering Business), and the balance of our operations (Marine Technology Business) are comprised of product sales.

Our Marine Technology Business sells its products and associated services to the oil and gas sector, underwater construction, and marine sciences sector. This segment generated approximately 54% and 78% of our total revenues for the three months ended January 31, 2015 and January 31, 2014, respectively. This drop in contributions to the Group's overall revenues in the reporting period is due to the significant cuts in our customer's Oil & Gas capital and operational budgets, which in turn has resulted in a contraction of demand for our products.

Our Marine Engineering Business largely sells its services into prime and second tier defense contractors and generated approximately 46% and 22% of our total revenues for the three months ended January 31, 2015 and January 31, 2014, respectively. This increase in our revenues in the Marine Engineering Business, is largely due to Coda Octopus Colmek, Inc. which has seen an increase in demand for its services in the reporting period.

For further information on the composition of our revenues between the Marine Technology Business (Products Business) and the Marine Engineering Business (Service Business), please see Segment Analysis below.

Segment Analysis

Segment operating income is total segment revenue reduced by operating expenses identifiable with the business segment. Corporate includes general corporate administrative costs.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies.

There are inter-segment sales in the table below which have been eliminated from our financial statement. However for the purpose of segment reporting, these are included in the Supplemental Disclosure to the table below.

The following tables summarize certain balance sheet and statement of operations information by reportable segment for the three months ended January 31, 2015 and 2014, respectively.

The Company's reportable business segments operate in three geographic locations. Those geographic locations are:

- United States
- Europe
- Australia

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. There are inter-segment sales which have been removed upon consolidation. . These are detailed in the Supplemental Disclosures to the table disclosed above.

	Marine Technology Business (Products)	Marine Engineering Business Colmek (Services)	Marine Engineering Business Martech (Services)	Corporate	Total
Three Months Ended Janaury 31, 2015					
Revenues from External Customers	2,349,198	1,764,537	247,211	-	4,360,946
Cost of Revenues	608,922	1,021,606	330,023	-	1,960,551
Gross Profit	1,740,276	742,931	(82,812)	-	2,400,395
Research & Development	350,471	-	-		350,471
Selling, General & Administrative	693,274	491,981	167,408	118,201	1,470,864
Operating Income (Loss)	696,531	250,950	(250,220)	(118,201)	579,060
Other Income (Expense)					
Other Income	30,820	-	34	-	30,854
Interest Expense	(116,444)	(58,710)	(57,526)	(105,327)	(338,007)
Unrealized loss on sale of investment in marketable securities	-	-	-	(3,031)	(3,031)
Total other income (expense)	(85,624)	(58,710)	(57,492)	(108,358)	(310,184)
Income (Loss) before income taxes	610,907	192,240	(307,712)	(226,559)	268,876
Income tax refund (expense)	-	-	-	-	-
Net Income (Loss)	610,907	192,240	(307,712)	(226,559)	268,876
Supplemental Disclosures					
Total Assets	11,103,326	6,863,067	2,882,346	109,412	20,958,151
Total Liabilities	2,187,315	1,105,631	494,999	14,826,854	18,614,799
Revenues from Intercompany Sales - eliminated from sales above	449,306	72,663	133,278	298,307	953,555
Depreciation and Amortization	55,098	39,621	1,947	3,249	99,915
Purchases of Long-lived Assets	-	52,300	-	-	52,300

	Marine Technology Business (Products)	Marine Engineering Business Colmek (Services)	Marine Engineering Business Martech (Services)	Corporate	Total
Three Months Ended Janaury 31, 2014					
Revenues from External Customers	$ 2,615,453	$ 401,203	$ 351,668	$ -	$ 3,368,324
Cost of Revenues	765,544	253,328	199,733	-	1,218,605
Gross Profit	1,849,909	147,875	151,935	-	2,149,719
Research & Development	310,860	-	-	-	310,860
Selling, General & Administrative	676,443	407,703	144,648	140,352	1,369,146
Operating Income (Loss)	862,606	(259,828)	7,287	(140,352)	469,713
Other Income (Expense)					
Other Income	31,011	-	-	-	31,011
Interest Expense	(137,535)	(65,436)	(64,382)	(132,410)	(399,763)
Unrealized gain on sale of investment in marketable securities	-	-	-	(1,194)	(1,194)
Gain (loss) on change in fair value of derivative liability	-	-	-	-	-
Total other income (expense)	(106,524)	(65,436)	(64,382)	(133,604)	(369,946)
Income (Loss) before income taxes	756,082	(325,264)	(57,095)	(273,956)	99,767
Income tax refund (expense)	-	-	-	-	-
Net Income (Loss)	$ 756,082	$ (325,264)	$ (57,095)	$ (273,956)	$ 99,767
Supplemental Disclosures					
Total Assets	$ 13,553,036	$ 4,119,629	$ 2,236,401	$ 452,534	$ 20,361,599
Total Liabilities	2,259,264	150,197	150,522	16,627,291	19,187,274
Revenues from Intercompany Sales - eliminated from sales above	558,518	47,485	94,042	287,751	987,796
Depreciation and Amortization	39,849	19,690	2,654	3,205	65,398
Purchases of Long-lived Assets	119,981	2,199	1,790	-	123,970

Information concerning activity in principal geographic areas is presented below according to the area where the activity is taking place for the three months ended January 31, 2015 and 2014 respectively:

	Europe	USA	Australia	Total
External Revenues by Geographic Locations				
Three Months Ended Janauary 31, 2015	$1,943,448	$1,908,010	$ 509,489	$ 4,360,946
Three Months Ended Janauary 31, 2014	$2,478,129	$ 890,195	$ -	$ 3,368,324

	UK	USA	Australia	Norway	Total
Fiscal Year 2013					
External Revenues by Geographic Locations	$ 9,268,854	$ 13,072,969	$ -	$ 1,717	$ 22,343,540

Comparison of the three months Ended January 31, 2015 to the three months Ended January 31, 2014

Revenues for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Revenues for the three months ended January 31, 2015*)	Percentage Change	Revenues for the three months ended January 31, 2014*)
$4,360,946	Increase of 29.5% ("Increase")	$3,368,324

*) Unaudited

We believe that the Increase in Revenues during the reporting period is largely due to the upturn in the performance of Coda Octopus Colmek, Inc. This is partly due to the removal of the freeze on defense spending and the recent acquisition of the Thermite® product range.

The Marine Technology Business continues to suffer from the general slowdown in the Oil and Gas sector due to the low oil prices, fracking, the recent ebola outbreak, and political instability in certain geographies in which these activities take place remains a cause of concern and we are constantly reviewing and revising our strategy to address these factors.

Within the 2015 Revenue numbers above, 54% is attributed to sales by our Marine Technology Business and 46% is attributed to sales by our Marine Engineering Business. For the same period in the previous fiscal year, 78% of the revenues for that period were attributable to the Marine Technology Business and 22% to the Marine Engineering Business.

Gross Margins for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Margins for the three months ended January 31, 2015*)	Margins for the three months ended January 31, 2014*)
55.0% (gross profit of $2,400,395)	63.8% (gross profit of $2,149,719)

*) Unaudited

The Decrease in gross margin percentage is due to the mix of sales in the reporting period compounded by the loss in the reporting period realized by our wholly owned subsidiary Coda Octopus Martech Limited. A large percentage of the sales in the reporting period are attributed to the Marine Engineering Business which attracts a lower gross profit margin than our products business. In the prior year for the same reporting period 78% of our total revenues reported then were from our Marine Technology Business as compared to 54% of our total revenues in the current reporting period.

Research and Development (R&D) for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

R&D costs for the three months ended January 31, 2015*)	Percentage Change	R&D costs for the three months ended January 31, 2014*)
$350,471	Increase of 12.7% ("Increase")	$310,860

*) Unaudited

This Increase in our Research and Development Expenditures is consistent with our strategy to invest in the continuing development of our core technology and also bring new products to the subsea market.

With our strategy of continuing development of our key technology committed in this and the next three years, we would expect to see a further material increase in our Research and Development Expenditures.

In this connection, we have commenced the development of a new sonar product through our subsidiary Coda Octopus Colmek. With this new product we will have a broader range of sonar products that will permit penetration of wider market segments. The Research and Development costs associated with this new product is estimated to be around $600,000. Within our Research and Development expenditures reported in this Quarter $67,356 is attributed to this development. This amount excludes the costs of labor.

We have also committed significant expenditures on developing a smaller version of our established Echoscope® product. It is expected to measure approximately two-thirds of the size of the current

Echoscope® and will be suitable for the remotely operated vehicle (ROV) markets. During the reporting period we have incurred $15,479 on this development. This amount excludes the costs of labor.

Selling, General and Administrative Expenses (SG&A) for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

SG&A for the three months ended January 31, 2015*)	Percentage Change	SG&A for the three months ended January 31, 2014*)
$1,470,864	Increase of 7.4% ("Increase")	$1,369,145

*) Unaudited

The Increase in our SG&A is attributable mainly to investments we are making in sales and business development personnel, new software developers (as described below) and establishing a new operational entity in Perth, Australia.

Key Areas of SG&A and R&D Expenditure across the Group for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Expenditure	January 31, 2015*)	Percentage Change	January 31, 2014*)
Wages and Salaries	$1,199,800	Increase of 23.5%	$971,244
Legal and Professional Fees (including accounting, audit and investment banking services)	$179,611	Decrease of 5.3%	$189,671
Travel Costs	$38,234	Decrease of 8.3%	$41,691
Marketing	$14,222	Decrease of 44.8%	$25,741
Rent and office costs for our various locations	$136,641	Decrease of 14.9%	$160,509

*) Unaudited

Wages and Salaries: This increase is in keeping with our strategy to increase our direct sales resources across the Group and also in our R&D division where we have recruited a number of software developers as part of our strategy to develop our core technology and bring new products to the market.

Legal and Professional Fees: This area of expenditure is likely to increase due to the ongoing litigation.

Travel Costs and Marketing: There has been a slight decrease in travel costs and marketing. This is in keeping with our current strategy to reduce expenditure on travel where we can. Notwithstanding in the next Quarter we would expect Travel and Marketing costs to increase since the Marine Technology

Business will be exhibiting at two significant trade in the second quarter of our fiscal year. One of these events is held every two years and the other annually.

Rent and Office Costs: The decrease in this area of expenditure is due to the Company having negotiated better terms for some of its leases and savings now being made from owning our facilities in England (Portland, Dorset) and United States (Lakeland, Florida).

Operating Income for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Operating Income for the three months ended January 31, 2015*)	Percentage Change	Operating Income for the three months ended January 31, 2014*)
$579,060	Increase of 23.3% ("Increase")	$469,714

*) Unaudited

This net Increase is attributed to the increase of our revenues by approximately 30%, and the maintenance of our running costs at a viable level.

Other Income for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Other Income for the three months ended January 31, 2015*)	Percentage Change	Other Income for the three months ended January 31, 2014*)
$30,854	Decrease of 0.5% ("Decrease")	$31,011

*) Unaudited

Our income statement has historically contained exceptionally high amounts relating to Other Income.

We anticipate that Other Income will not contain significant amounts going forward. Historically, Other Income resulted largely from our restructuring during the fiscal years 2010 through 2012 when we realized certain reductions of our commitments under various arrangements.

Interest Expense for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Interest Expense for the three months ended January 31, 2015*)	Percentage Change	Interest Expense for the three months ended January 31, 2014*)
$338,007	Decrease of 15.4% ("Decrease")	$399,762

*) Unaudited

This amount comprises interests on (i) the Senior Debentures; and (ii) interest on mortgage obligation. In respect of the former category these amounts (in both periods) also include amortization of 30% redemption premium which the Senior Debentures attract.

The Decrease in this area of expenditure is attributed to a reduction of the interest payable on the Senior Debentures due to the reduction of the principal from $12,000,000 to $10,000,000. The latter amount excludes the redemption premium of 30%.

Net Income for the three months ended January 31, 2015 compared to the three months ended January 31, 2014

Net Income for the three months ended January 31, 2015*)	Percentage Change	Net Income for the three months ended January 31, 2014*)
$268,876	Increase of 169.5% ("Increase")	$99,769

*) Unaudited

This Increase is attributable to increased sales in the reporting period for the reasons described above.

Inflation and Foreign Currency.

The Company maintains its financial statements 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, Australian Dollars for Australian operations, and Norwegian Kroner for Norwegian operations.

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

During the three months ended January 31, 2015, a summary of our material foreign currency transactions includes:

	UK £	Norwegian Kroner (NKr)	Australian Dollar (AUD)	Total $
Revenues from foreign subsidiary	1,259,392	–	624,763	2,452,936
Direct Costs of foreign subsidiaries	548,394	(8,829)	40,458	879,255

The prevailing exchange rates during the three months ended January 31, 2015 ranged between \$1.4988 and \$1.6004 for Pound Sterling; between \$0.1277 and \$0.1485 for the Norwegian Kroner for the same period, and between \$0.7767 and \$0.8799 for the Australian Dollar for the same period. The above are calculated at the average of the exchange rates at the end of the three months from November 1, 2014 to January 31, 2015.

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 SIC Code is 3812 - Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments

Our Group comprises the sub-sea Marine Technology Businesses which are conducted through our three wholly owned subsidiaries, Coda Octopus Products Limited (United Kingdom), Coda Octopus Products, Inc. (USA.) and Coda Octopus Products Pty Ltd (Australia).

Our Group structure is shown on page 20 below.

Our most important product, the patented real time 3D 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 reliable underwater intelligence in real time. We are unaware of any other sonar devices which provide real time 3D visualization capabilities with the range and resolution of the Echoscope®.

We believe the software used with the Echoscope®, CodaOctopus Underwater Survey Explorer, to be cutting edge in providing unparalleled real time images of subsea environments and provides unique capabilities in subsea operations. 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 Engineering Businesses 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 Business, which have long established defense 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 and a key supplier of components for the AN/AQS24A airborne mine hunting system for many years.

Similarly Martech is in production of the decontamination unit which has now been accepted as part of the ground equipment of a military aircraft program. To date Martech has received orders of $2,140,000 for this unit. We would expect this to be a significant product for Martech in the future.

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

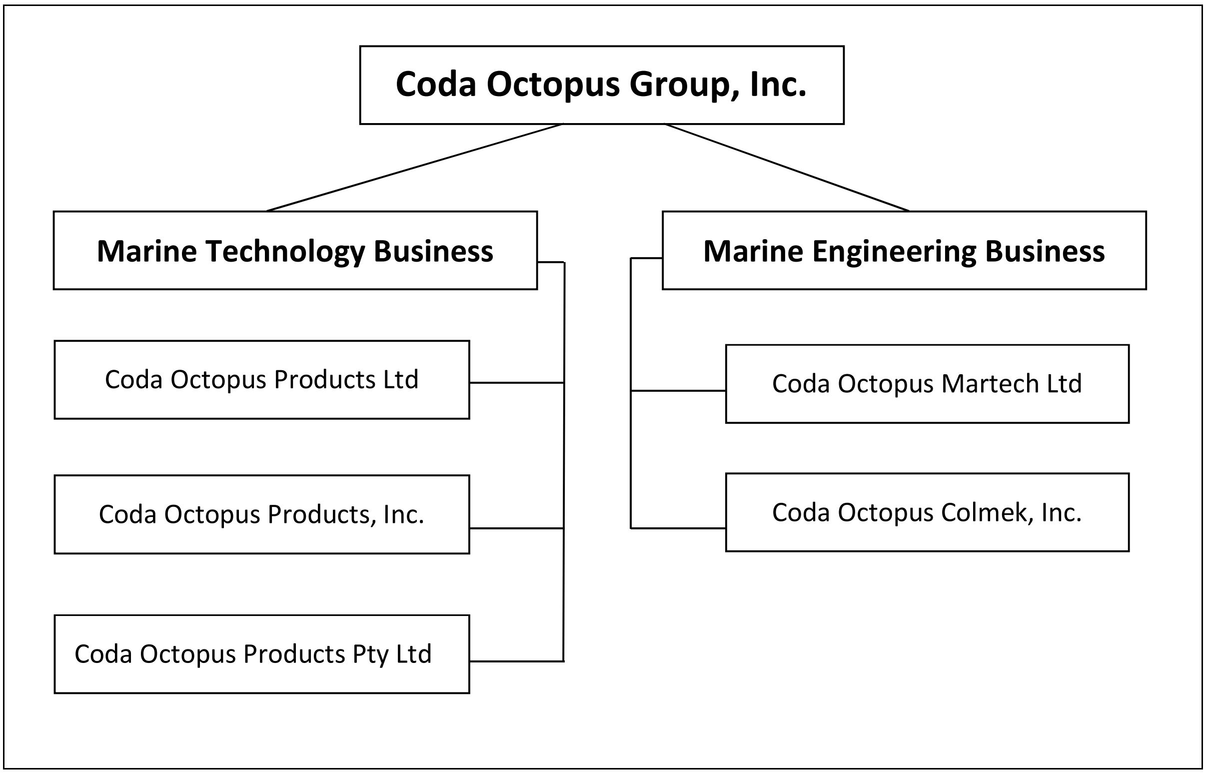
- Martech is LRQ accredited ISO9001:2008 and TickIT Guide Issue 5.5.
- Colmek is ISO9001:2008 compliant.

Martech has moved to new facilities owned by the Marine Technology Business and will be providing more support to the Marine Technology Business on developing and supporting its flagship patented real time 3D Products.

The engineering capability within our Group (at the date of this Report we have approximately 73 highly skilled engineers) forms a key part of our strategy for developing our existing technologies and new ones for the marine markets.

GROUP STRUCTURE

Our Group Structure is as follows:



In addition, we 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.

Ongoing Restructuring Plans

Since February 21, 2008 our Balance Sheet also includes a $12 million convertible secured debt ("Debentures"). In addition to this principal amount, the Debentures provide for a redemption premium of 30%. A primary focus of management has been to rehabilitate our income statement in such a way as to reach a level where the annual coupon obligations associated with these Debentures are serviceable.

On August 18, 2014 the Company and the Debenture Holder entered into a Deed of Amendment to extend the maturity date of the Debentures (which under their original terms matured on February 21, 2015) to August 21, 2016. Extension of the maturity date is subject to the Company adhering to its loan covenants including payment of all amounts on their due dates.

On September 18, 2014, the Company redeemed Debentures with a $2,000,000 face value reducing the principal amount to $10,000,000. As of January 31, 2015 the total indebtedness under the Debentures, including the stipulated redemption premium of 30% and accrued interest, was $14,693,686 (See Note 10 to Financials for full reconciliation). The Debentures will cease to attract a redemption premium on February 16, 2015.

Until the outstanding litigation is resolved the Debenture Holder and financial institutions are unwilling to negotiate the final restructuring of the Debentures thus making it extremely difficult for the Company to continue to seek refinancing for a portion of, or all of, the Debentures.

Legal Proceedings

In January 2014 a number of investors who purchased Company shares and warrants pursuant to a series of securities purchase agreement during April and May 2007 ("Securities Agreement") instituted legal proceedings against the Company and one of our Directors. These investors allege, inter alia, breach of contract and negligent misrepresentation when the Company issued securities which they claimed constituted Dilutive Issuances (as the term is defined in the Securities Agreement). These plaintiffs are seeking from the Company (i) the issuance of 97,618,439 shares of common stock; and (ii) adjustment of the exercise price under the plaintiffs' Warrants; and (iii) reinstatement of the Warrant and adjustment of the exercise price of the Warrants and number of shares issuable under the Warrants; and (iv) their costs and reasonable attorneys' fees incurred; and (v) any other relief the Court deems just and proper.

The Company is defending itself against vigorously the plaintiffs' allegations. However, there can be no assurance that the Company will prevail in the lawsuit.

This pending lawsuit does impact on the Company's ability to reach any agreement with the Debenture Holder on the conversion of the debt in whole or part or with financial institutions on possible refinancing of the Debenture.

7) Describe the Issuer's Facilities

Lakeland, Florida, USA. (Headquarters to Group and operational facilities for Coda Octopus Products, Inc.)

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. **(Marine Engineering Facilities)**

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. This lease is on a month by month renewal. Coda Octopus Colmek is likely to relocate to its newly acquired premises in June 2015 (See "Subsequent Events" Section of this Report).

Edinburgh, Scotland, United Kingdom. **(Marine Technology Operations)**

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 Company has the lease of these premises until February 28, 2019. The annual rent is fixed for the duration of the lease at the British Pounds equivalent of $54,130 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations).

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 $11,500.

Portland, Dorset, England, UK. (**Marine Engineering Facilities with dedicated facilities for Marine Technology Operations)**

Martech is located in new premises, which it leases from Coda Octopus Products Limited. These premises are located in the Marine Center at 17 Mereside, Portland, Dorset DT5 1PY and comprise 9,890 square feet. The building comprises both office space and manufacturing and testing facilities. The lease, which is for a period of 5 years, provides for an annual rent of the equivalent of $51,000 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations). These premises are owned by Coda Octopus Products Limited. These premises will allow easy access to marine facilities such as testing vessels etc.

Bergen, Norway. (**Marine Technology Development Center**)

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 $33,959 (the rent is stated in Norwegian Kroners and is therefore subject to exchange rate fluctuations) per annum and expires on May 31, 2018 but may be terminated with 6 months' notice with effect any time after December 1, 2016.

7.1) Subsequent Events

On March 21, 2015, Coda Octopus Colmek, Inc. completed the purchase of new office, production and R&D facilities for $1,200,000 in cash. These premises are located at 6526 South Cottonwood Street, Murray, Utah 84107. These premises are currently being customized for the requirements of Coda Octopus Colmek and we would expect to relocate the business on or around the end of June 2015. In the meantime, Colmek continues to lease premises (as described in the preceding section) on a month by month basis.

8) Officers, Directors, and Control Persons as of January 31, 2015

Officers and Directors:

- Michael Hamilton, Director and Chairman of the Board, Maywood, New Jersey, USA
- Robert Ethrington, Director, England, United Kingdom.
- Annmarie Gayle, LL.B, LLM, Group Chief Executive Officer and Director, Denmark
- Geoff Turner, Executive Director and Deputy Chief Executive Officer, 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, 2015:

- Greenhouse Investments Limited
- CCM Holdings LLC

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. Beneficial Shareholders. 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, 2015 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 Core Fund Management LP has an option to acquire these shares subject to certain conditions (Option Shares). Upon the exercise of the Option, Core Fund Management LP will own these shares and Steve Shum of Core Fund Management LP will have dispositive power over these shares. The address of Core Management Fund LP is 1500 SW 1st Ave, Suite 910, Portland, OR 97201.	16,773,648
CCM Holdings LLC 376 Main Street PO Box 74 Bedminster, NJ 07921 U.S.A. The Company has been advised that Jack Galuchie has voting and dispositive power over the shares held by this entity.	27,412,897
The numbers in the above table do not include 11,428,571 shares of common stock issuable in the event of conversion of Debentures at $1.05 per share. It is unlikely that the Debentures will convert at $1.05 given the current trading price of the Company's common stock. 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:

<u>Accountant or Auditor</u>

Frazier & Deeter, LLC
1230 Peach Street, N.E.
Suite 1500
Atlanta, GA 30309

10) Issuer Certification

I, Annmarie Gayle, certify that:

1. I have reviewed this quarterly disclosure statement for the period ending January 31, 2015 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, 2015

/s/ Annmarie Gayle
Group CEO

CODA OCTOPUS GROUP, INC.

Index to consolidated unaudited financial statements

Consolidated Financial Statements
For the Three Months Ended January 31, 2015 and the Year Ended October 31, 2014

Contents

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
January 31, 2015 and October 31, 2014

ASSETS

	2015 Unaudited	2014 Audited
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,022,786	$ 5,292,427
Short Term Investments	-	3,031
Accounts Receivables	2,944,288	4,031,623
Inventory	3,597,343	4,060,352
Unbilled Receivables	1,750,573	1,228,771
Other current assets	323,590	220,323
Prepaid Expenses	413,924	188,875
Total Current Assets	14,052,504	15,025,402
Fixed Assets		
Property and Equipment, net	2,021,177	2,179,617
Other Assets		
Restricted Cash	1,214,291	17,918
Deferred Tax Asset	121,082	133,233
Goodwill and other intangibles, net	3,809,295	3,835,530
	5,144,668	3,986,681
Total Assets	$ 21,218,349	$ 21,191,700

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
January 31, 2015 and October 31, 2014

LIABILITIES AND STOCKHOLDERS' EQUITY

	2015 Unaudited	2014 Audited
CURRENT LIABILITIES		
Accounts Payable, trade	$ 1,273,438	$ 1,389,506
Accrued Expenses and other current liabilities	765,875	812,183
Short term loan payable - related party	70,844	238,842
Loans and note payable, current	463,201	466,259
Deferred revenues	1,502,397	530,581
Total Current Liabilites	4,075,755	3,437,371
LONG-TERM LIABILITIES		
Loans and note payable, long term	15,078,936	15,051,254
Total Liabilities	19,154,691	18,488,625
STOCKHOLDERS' EQUITY		
Preferred stock, $.001 par value; 5,000,000 shares authorized, 6,287 Series A issued and outstanding, as of January 31, 2015 and October 31, 2014, respectively	6	6
Common stock, $.001 par value; 150,000,000 shares authorized, 93,919,213 shares issued and outstanding as of January 31, 2015 and October 31, 2014, respectfully	93,919	93,919
Additional paid-in capital	49,033,759	49,033,759
Accumulated other comprehensive loss	(1,009,462)	(101,169)
Accumulated deficit	(46,054,564)	(46,323,440)
Total Stockholders' Equity	2,063,658	2,703,075
Total Liabilities and Stockholders' Equity	$ 21,218,349	$ 21,191,700

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Income and Comprehensive Income
For the Three Months Ended January 31, 2015 and 2014

	2015	2014
	Unaudited	Unaudited
Net Revenues	$ 4,360,946	$ 3,368,324
Cost of Revenues	1,960,551	1,218,605
Gross Profit	2,400,395	2,149,719
OPERATING EXPENSES		
Research & Development	350,471	310,860
Selling, General & Administrative	1,470,864	1,369,145
Total Operating Expenses	1,821,335	1,680,005
INCOME FROM OPERATIONS	579,060	469,714
OTHER INCOME (EXPENSE)		
Other Income	30,854	31,011
Interest Expense	(338,007)	(399,762)
Unrealized (loss) gain on sale of investment in marketable securities	(3,031)	(1,194)
Total Other Income (Expense)	(310,184)	(369,945)
NET INCOME BEFORE INCOME TAXES	268,876	99,769
INCOME TAX BENEFIT (EXPENSE)	-	-
NET INCOME	$ 268,876	$ 99,769
NET INCOME PER SHARE:		
Basic	$ 0.00	0.00
Diluted	$ 0.00	0.00
WEIGHTED AVERAGE SHARES:		
Basic	93,919,213	93,776,356
Diluted	93,969,213	93,826,356

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Income and Comprehensive Income (Continued)
For the Three Months Ended January 31, 2015 and 2014

	2015 Unaudited	2014 Unaudited
NET INCOME	$ 268,876	$ 99,769
Other Comprehensive Income:		
Foreign currency translation adjustment	(908,293)	167,158
Total Other Comprehensive Income	(908,293)	167,158
COMPREHENSIVE INCOME	$ (639,417)	$ 266,927

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

CODA OCTOPUS GROUP, INC.

Consolidated Statements of Changes in Stockholders' Equity

For the Three Months Ended January 31, 2015 and the Year Ended October 31, 2014

	Preferred Stock Series A		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Total
Balance, October 31, 2013 Audited	6,287	$ 6	93,776,356	$ 93,776	$ 49,030,396	$ (274,536)	$ (47,949,843)	$ 899,799
Foreign currency translation adjustment	-	-	-	-	-	173,367	-	173,367
Stock issued in exchange of warrants	-	-	142,857	143	3,363	-	-	3,506
Net Income	-	-	-	-	-	-	1,626,403	1,626,403
Balance, October 31, 2014 Audited	6,287	6	93,919,213	93,919	49,033,759	(101,169)	(46,323,440)	2,703,075
Foreign currency translation adjustment	-	-	-	-	-	(908,293)	-	(908,293)
Net Income	-	-	-	-	-	-	268,876	268,876
Balance, January 31, 2015 Unaudited	6,287	$ 6	93,919,213	$ 93,919	$ 49,033,759	$ (1,009,462)	$ (46,054,564)	$ 2,063,659

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Cash Flows
For the Three Months Ended January 31, 2015 and 2014

	2015 Unaudited	2014 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 268,876	$ 99,769
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	99,915	65,398
Financing costs	84,948	386,177
Unrealized gain (loss) on investments	3,031	1,194
(Increase) decrease in operating assets:		
Accounts receivable	1,087,336	(174,546)
Inventory	463,009	(385,630)
Prepaid expenses	(225,049)	61,778
Unbilled receivables	(625,069)	87,188
Other assets	-	-
Deferred Tax Asset	12,151	73,373
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	(330,371)	129,187
Deferred revenues	971,815	(316,884)
Net Cash Provided by Operating Activities	1,810,592	27,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	149,540	(186,285)
Cash Subject to restriction	(1,196,373)	637
Purchases of intangible assets	-	62,315
Net Cash Used by Investing Activities	(1,046,833)	(123,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made on loans and notes payable	(125,107)	(218,000)
Net Cash Used by Financing Activities	(125,107)	(218,000)

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended January 31, 2015 and 2014

	2015	2014
	Unaudited	Unaudited
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	(908,293)	167,158
NET (DECREASE) INCREASE IN CASH	(269,641)	(147,171)
CASH AT THE BEGINNING OF THE YEAR	5,292,427	8,248,269
CASH AT END OF YEAR	$ 5,022,786	$ 8,101,098
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 253,276	$ 16,191

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

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2015 and October 31, 2014

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

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. At that time it changed its name to Coda Octopus Group, Inc.

We are a developer of underwater technologies and equipment for imaging, mapping, defense and survey applications. We are based in Florida, with research and development, sales and manufacturing facilities located in the United Kingdom and Norway. We also have engineering operations in the state of Utah, and the United Kingdom.

The consolidated financial statements include the accounts of Coda and our domestic and foreign subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements presented with these Notes.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

a. Basis of Presentation

The Company has adopted the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities, and all of the Codification's content carries the same level of authority.

b. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. At times such investments may be in excess of federal deposit insurance limits.

c. Trade Accounts Receivable

Trade accounts receivable are recorded net of the allowance for doubtful accounts. The Company provides for an allowance for doubtful collections that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Balances still outstanding after the Company has used reasonable collection efforts are written off though a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for doubtful accounts was $-0- as of January 31, 2015 and October 31, 2014.

d. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives for the property and equipment are charged to operations as incurred. Major additions and improvements are capitalized. Depreciation and amortization are computed using the straight-line method over their estimated useful lives which is typically three to four years.

e. Advertising

Coda follows the policy of charging the costs of advertising to expense as incurred.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

f. Inventory

Inventory is stated at the lower of cost (first-in first-out method) or market. Inventory consisted of the following components:

	January 31, 2015 Unaudited	October 31, 2014 Audited
Raw materials and parts	$ 2,130,153	$ 2,223,325
Work in progress	316,584	181,965
Demo goods	600,077	728,582
Finished goods	550,529	926,480
Total Inventory	$ 3,597,343	$ 4,060,352

g. Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues including unbilled and deferred revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. Revenue Recognition

Our revenue is derived from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications and from the engineering services which we provide. Revenue is recognized when evidence of a contractual arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the fair value of each deliverable, and recognize revenue when equipment is delivered, and for installation and other services as they are performed.

Our contracts sometimes require customer payments in advance of revenue recognition. These amounts are reflected as liabilities and recognized as revenue when the Company has fulfilled its obligations under the respective contracts.

For software license sales for which any services rendered are not considered essential to the functionality of the software, we recognize revenue upon delivery of the software, provided (1) there is evidence of a contractual arrangement for this, (2) collection of our fee is considered probable and (3) the fee is fixed and determinable.

For arrangements that are generated from time and material contracts where there is a signed agreement and approved purchase order in place that specifies the fixed hourly rate and other reimbursable costs to be billed based on material and direct labor hours incurred. Revenue is recognized on these contracts based on material and direct labor hours incurred. Revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred (materials and direct labor hours) incurred to date to estimated total services (materials and direct labor hours) for each contract. This method is used as expended direct materials and labor hours are considered to be the best available measure of progress on these contracts. Losses on fixed-price contracts are recognized during the period in which the loss first becomes apparent based upon costs incurred to date and the estimated costs to complete as determined by experience from similar contracts. Variations from estimated contract performance could result in adjustments to operating results.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

i. Concentrations of Risk

Credit losses, if any, have been provided for in the financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk, since a significant part of the Company's sales are to a small number of companies and even though these are generally established businesses market fluctuations such as price of oil could affect our customers' ability to meet their obligations to us.

The Company's bank deposits are held with financial institutions. At times, such amounts may be in excess of applicable government mandated insurance limits. The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Company's cash would not be impacted by adverse economic conditions in the financial markets.

j. Contracts in Progress (Unbilled Receivables and Deferred Revenue)

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 sheets. These amounts are stated on the consolidated balance sheets as Unbilled Receivables of $1,750,573 and $1,228,771 as of January 31, 2015 and October 31, 2014 respectively.

Our Deferred Revenue of $1,502,397 and $530,581 as of January 31, 2015 and October 31, 2014, respectively, consists of billings in excess of costs and revenues received as part of our warranty obligations upon completing a sale – elaborated further in the last paragraph of the Note.

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 sheets. These amounts are stated on the balance sheets as a component of Deferred Revenue of $919,580 and $125,426 as of January 31, 2015 and October 31, 2014, 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 sheets as a component of Deferred Revenue of $582,817 and $405,155 as of January 31, 2015 and October 31, 2014, respectively.

k. Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification 740, *Income Taxes* (ASC 740). Under ASC 740, deferred income tax assets and liabilities are recorded for the income tax effects of differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax reporting. The Company's differences arise principally from the use of accelerated and modified accelerated cost recovery system for income tax purposes versus straight line depreciation and from utilization of net operating loss carry-forwards.

Deferred tax assets and liabilities are the amounts by which the Company's future income taxes are expected to be impacted by these differences as they reverse. Deferred tax assets are based on differences that are expected to decrease future income taxes as they reverse. Correspondingly, deferred tax liabilities are based on differences that are expected to increase future income taxes as they reverse. Note 9 below discusses the amounts of deferred tax assets and liabilities, and also presents the impact of significant differences between financial reporting income and taxable income.

For income tax purposes, the Company uses the percentage of completion method of recognizing revenues on long-term contracts which is consistent with the Company's financial reporting under U.S. generally accepted accounting principles.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

l. Intangible Assets

Intangible assets consist principally of the excess of cost over the fair value of net assets acquired (or goodwill), customer relationships, non-compete agreements and licenses. Goodwill was allocated to our reporting units based on the original purchase price allocation. Goodwill is not amortized and is evaluated for impairment annually or more often if circumstances indicate impairment may exist. Customer relationships, non-compete agreements, patents and licenses are being amortized on a straight-line basis over periods of 2 to 10 years. The Company amortizes its limited lived intangible assets using the straight-line method over their estimated period of benefit. We periodically evaluate the recoverability of intangible assets and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value, which is based on future cash flows, exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, the second step must be performed to measure the amount of the impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. At the end of each year, we evaluate goodwill on a separate reporting unit basis to assess recoverability, and impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount of the goodwill over the implied fair value of the goodwill.

m. Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair values because of the short-term nature of these instruments. The aggregate carrying amount of the notes payable approximates fair value as they bear interest at a market interest rate based on their term and maturity. The fair value of the Company's long-term debt approximates its carrying amount based on the fact that the Company believes it could obtain similar terms and conditions for similar debt.

n. Foreign Currency Translation

Assets and liabilities are translated at the prevailing exchange rates at the balance sheet dates, related revenue and expenses are translated at weighted average exchange rates in effect during the period and stockholders' equity, fixed assets and long-term investments are recorded at historical exchange rates. Resulting translation adjustments are recorded as a separate component in stockholders' equity as part of accumulated other comprehensive income or (loss) as may be appropriate. Foreign currency transaction gains and losses are included in the statement of income.

o. Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No impairment loss was recognized during the three months ended January 31, 2015 and the year ended October 31, 2014.

p. Research and Development

Research and development costs consist of expenditures for the present and future patents and technology, which are not capitalizable. Under current legislation, we are eligible for UK and Norway tax credits related to our qualified research and development expenditures.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

p. Research and Development (Continued)

Tax credits are classified as a reduction of research and development expense. During the three months ended January 31, 2015 and the year ended October 31, 2014, we recorded tax credits totaling $0 and $0, respectively.

q. Stock Based Compensation

We recognize the expense related to the fair value of stock-based compensation awards within the consolidated statements of income and comprehensive income. We use the fair value method for equity instruments granted to non-employees and use the Black Scholes model for measuring the fair value. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the periods in which the related services are rendered for the three months ended January 31, 2015 and the year ended October 31, 2014 and have included compensation expense (when applicable) for unvested stock-based compensation awards that were outstanding as of January 31, 2015 and October 31, 2015 for which the requisite service was rendered during the year.

r. Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Comprehensive income includes gains and losses on foreign currency translation adjustments and is included as a component of stockholders' equity.

s. Earnings Per Share

We compute basic earnings per share by dividing the income attributable to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effect, if any, from the potential exercise of stock options and warrants.

Following is a reconciliation of earnings from continuing operations and weighted average common shares outstanding for purposes of calculating basic and diluted earnings per share:

Fiscal Period	January 31, 2015	October 31, 2014
	Unaudited	**Audited**
Numerator:		
Earnings from Continuning Operations	$ 268,876	$ 1,626,403
Denominator:		
Basic weighted average common shares outstanding	93,919,213	93,815,495
Dilutive effect of stock options	50,000	50,000
Diluted outstanding shares	93,969,213	93,865,495
Earnings from continuing operations		
Basic	$ 0.00	$ 0.02
Diluted	$ 0.00	$ 0.02

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

t. Liquidity

The Company’s consolidated financial statements have been prepared assuming it will continue as a going concern.

For the three months ended January 31, 2015, the Company had:

		Unaudited
Cash and cash equivalents	$	5,022,786
Working capital surplus		9,976,750
Total Stockholders' equity		2,063,659
Accumulated deficit		(46,054,564)
Net income for the three months ended Janaury 31, 2015		268,876
Positive cash flows from operations		1,810,592

The Company is dependent upon its ability to generate revenue from the sale of its products and services to generate cash to cover its operations.

If the Company’s financial resources from operations are insufficient, the Company will require additional financing in order to execute its operating plan and continue as a going concern. The Company may not be able to obtain the necessary additional capital on a timely basis or on commercially acceptable terms, or at all. In any of these events, the Company may be unable to repay its debt obligations (including approximately $15 M under senior debentures due in August 2016), 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.

u. Restricted Cash

The Company is required to have a specific cash account to guarantee a lease in Norway whereby the lessor has access to withdraw on the account upon default on the lease. The amount required to be held in the account was $14,291 and $17,918 as of January 31, 2015 and October 31, 2014 respectively, and is shown as a long-term asset as the restricted cash balance is expected to be maintained through the life of the lease. The Company has also moved the $1,200,000 reserved for the purchase of the building, See Note 17, to restricted cash.

CODA OCTOPUS GROUP, INC.
Notes to the Consolidated Financial Statements
January 31, 2015 and October 31, 2014

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL

Goodwill and Other Intangible Assets are evaluated on an annual basis. If there is reason to believe that their values have been diminished or impaired, write-downs will be included in results from operations.

The identifiable intangible assets acquired and their carrying value at January 31, 2015 and October 31, 2014 is as follows:

	January 31, 2015	October 31, 2014
	Unaudited	**Audited**
Customer relationships (weighted average life of 10 years)	$ 919,503	$ 919,503
Non-compete agreements (weighted average life of 3 years)	198,911	198,911
Patents	130,028	130,028
Total identifiable intangible assets - gross carrying value	1,248,442	1,248,442
Less: accumulated amortization	(821,255)	(795,020)
Total intangible assets, net	$ 427,187	$ 453,422

Future estimated annual amortization expenses as of October 31, 2014 as follows:

Years Ending October 31,	Amount
	Audited
2015	$ 91,308
2016	91,308
2017	39,854
2018	7,991
Thereafter	222,961
Totals	$ 453,422

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to $26,235 and $91,308 for the three months ended January 31, 2015 and the year ended October 31, 2014, respectively. Goodwill is not being amortized.

NOTE 3 - INTANGIBLE ASSETS AND GOODWILL (Continued)

As a result of the acquisitions of Coda Octopus Martech, Ltd., Coda Octopus Colmek, Inc., Coda Octopus Products, Ltd., and Dragon Design, Ltd., the Company has goodwill in the amount of $3,382,108 as of January 31, 2015 and October 31, 2014. The carrying amount of goodwill as of January 31, 2015 and October 31, 2014 are recorded below:

Breakout of Goodwill:	2015 Unaudited	2014 Audited
Coda Octopus Colmek, Inc.	$ 2,038,669	$ 2,038,669
Coda Octopus Products, Ltd	62,315	62,315
Coda Octopus Martech, Ltd	998,591	998,591
Coda Octopus Martech, Ltd (from Dragon Design Ltd Acquisition)	282,533	282,533
Total Goodwill	$ 3,382,108	$ 3,382,108

Considerable management judgment is necessary to estimate fair value of goodwill. We enlisted the assistance of an independent valuation consultant to determine the values of our intangible assets and goodwill at the dates of acquisition and by management the dates thereafter.

Based on various market factors and projections used by management, actual results could vary significantly from management's estimates.

The Company's policy is to test its goodwill balances for impairment on an annual basis, in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The goodwill assets of the Company arise chiefly from the acquisition of two wholly owned subsidiaries that comprise the Company's professional services reporting units - Martech and Colmek. Goodwill impairment evaluation was conducted at the end of the financial year 2014 and management's opinion is that the carrying values are reasonable.

Based on these evaluations, the fair value of goodwill exceeds its carrying book value. As such no impairment was recorded by management.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at January 31, 2015 and October 31, 2014:

	2015 Unaudited	2014 Audited
Buildings	$ 1,015,516	$ 1,087,322
Office machinery and equipment	1,501,810	1,548,966
Furniture, fixtures and improvements	418,271	456,108
Totals	2,935,597	3,092,396
Less: accumulated depreciation	(914,420)	(912,779)
Property and Equipment - Net	$ 2,021,177	$ 2,179,617

Depreciation expense for the three months ended January 31, 2015 and the year ended October 31, 2014 was $59,356 and $145,263, respectively.

NOTE 5 - OTHER CURRENT ASSETS

Other current assets consisted of the following at January 31, 2015 and October 31, 2014:

	2015	2014
	Unaudited	**Audited**
Deposits	$ 84,324	$ 94,098
Other receivables	41,591	47,341
Value added tax (VAT) receivable	197,675	78,884
Total Other Current Assets	$ 323,590	$ 220,323

NOTE 6 – CAPITAL STOCK

Common Stock

The Company is authorized to issue 150,000,000 shares of common stock with a par value of $0.001 per share.

During the year ended October 31, 2013, the Company issued 4,021,380 shares of our common stock to CCM Holdings, LLC in satisfaction of debt amounting to $571,036.

In July 24, 2014 the Company issued 142,857 shares of common stock to Core Fund LLP in respect of previous contractual commitments assumed in October 2010. Core Fund LLP surrendered its Warrants (in or around October 2010) in exchange for shares of Common Stock in connection with an offer which the Company made to the group of purchasers who between April and May 2007 purchased 15,000,000 shares of common stock and 7,500,000 Series A Warrants and 7,500,000 Series B Warrants. Although instructions were provided then to our Transfer Agents, these shares were never issued. The stock was issued at $0.025 per share, which was the issue price at the time the warrants were surrendered.

The Company has issued and outstanding 93,919,213 and 93,919,213 shares of common stock as of January 31, 2015 and October 31, 2014 , respectively.

Preferred Stock

The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of $0.001 per share. We have designated 50,000 preferred shares as Series A preferred stock and 50,000 preferred shares as Series B preferred stock. The remaining 4,900,000 shares of preferred stock are not designated.

Series A Preferred Stock

The Series A Preferred Stock currently in issue was sold in units of $100 and £100 in or around October 2006. The Certificate of Designations, Preference and Rights of Preferred Stock stipulate a dividend at 12% per annum. The holders of Preferred stock in preference to holders of shares of our common stock are entitled to receive dividends but only “when, as and if” declared by the Board of Directors out of funds legally available for the purpose

As of January 31, 2015 and October 31, 2014, the Company has 6,287 shares of Series A Preferred Stock in issue. The Board of Directors have not declared any dividends on Series A Preferred Stock since September 2009 since it considers the current cash requirements of the business (including its obligations under the Secured Debentures and its operational requirements) precludes it from declaring such dividend. In the event that such amounts are declared they are cumulative from the date

NOTE 6 – CAPITAL STOCK (Continued)

Series A Preferred Stock (Continued)

of issue of such Preferred Stock. 6,087 of the 6,287 shares of Series A Preferred Stock outstanding are now held by Barclay Place Capital Limited.

Although there are 6,287 shares of Series A Preferred Stock in issue, the current management have been unable to find the complete documentation on the Series A Preferred Stock including verification that the purchase price for these shares have been paid in full. We are currently in discussion with the holder on providing us complete documentation on the consideration provided to the Company for 4,507 shares of Series A Preferred Stock.

We have made no provision in our accounts for dividends for the Series A Preferred Stock since September 2009 as dividends can only be paid “as, when and if” declared by the Board from legally available funds.

Series B Preferred Stock

The Series B Preferred Stock ranks junior to our issued and outstanding Series A Preferred Stock and senior to all classes of common stock. The Series B Preferred Stock has a dividend rate of 8% per year. The Series B Preferred Stock and accrued dividends are convertible at the option of the holder into shares of our common stock at a conversion price of $1.00 per share.

As of January 31, 2015 and October 31, 2014 the Company has no shares of Series B Preferred Stock outstanding.

NOTE 7- LITIGATION

In January 2014 a number of investors who purchased Company shares and warrants pursuant to a series of securities purchase agreement during April and May 2007 (“Securities Agreement”) instituted legal proceedings against the Company and one of our Directors. These investors allege, inter alia, breach of contract and negligent misrepresentation when the Company issued securities which they claimed constituted Dilutive Issuances (as the term is defined in the Securities Agreement). These plaintiffs are seeking from the Company (i) the issuance of 97,618,439 shares of common stock; and (ii) adjustment of the exercise price under the plaintiffs’ Warrants; and (iii) reinstatement of the Warrant and adjustment of the exercise price of the Warrants and number of shares issuable under the Warrants; and (iv) their costs and reasonable attorneys’ fees incurred; and (v) any other relief the Court deems just and proper.

This pending lawsuit does impact on the Company’s ability to reach any agreement with the Debenture Holder on the conversion of the debt in whole or part or with financial institutions on possible refinancing of the Debenture.

NOTE 8 – STOCK OPTIONS

Transactions involving stock options are summarized as follows:

	Janaury 31, 2015 **Unaudited**		October 31, 2014 **Audited**	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding beginning of the year	50,000	$ 1.05	50,000	$ 1.05
Granted during the year	-		-	
Expired/cancelled during the year	-		-	
Outstanding at end of year	50,000	$ 1.05	50,000	$ 1.05
Exercisable at end of year	50,000	$ 1.05	50,000	$ 1.05

NOTE 9 - INCOME TAXES

The Company files federal income tax returns in the U.S. and state income tax returns in the applicable states on a consolidated basis. The Company's subsidiaries also file in the appropriate foreign jurisdictions as applicable, most notably the United Kingdom.

The Company adopted the provisions of Accounting Standards Codification 740, *Income Taxes* (ASC 740), on July 1, 2007. ASC 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of ASC 740, the Company performed a review of its material tax positions in accordance with and measurement standards established by ASC 740. At the adoption date of July 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit during the three months ended January 31, 2015 and the year ended October 31, 2014. The Company also estimates that the unrecognized tax benefit will not change significantly within the next twelve months.

There are no material tax positions included in the accompanying consolidated financial statements at January 31, 2015 and October 31, 2014 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company uses an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income

NOTE 9 - INCOME TAXES (Continued)

tax expense is the current income tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

For income tax reporting purposes, the Company's aggregate U.S. unused net operating losses approximate $16,886,000 as of October 31, 2014, which expire beginning in 2026 through 2029, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The deferred tax asset related to the U.S. tax carry-forward is approximately $6,585,000 as October 31, 2014. The Company has provided a valuation reserve against the full amount of the net operating loss benefit. For the year ended October 31, 2014 the Company had an Alternative Minimum Tax of $27,036 due.

For income tax reporting purposes, the Company's aggregate UK and Norway unused net operating losses approximate $1,377,706 with no expiration. The deferred tax asset related to the UK and Norway tax carry-forwards is approximately $192,151. The Company has provided a valuation reserve against the portion of the net operating loss benefit, because in the opinion of management which is based upon the earning history of the Company, it is more likely than not that the benefits allowed for will not be fully realized. Those remaining and not allowed for are recorded by the Company and are expected to be used in the near future.

Components of deferred tax assets as of January 31, 2015 and October 31, 2014 are as follows:

	2015 **Unaudited**	2014 **Audited**
Net operating loss carry-forward benefit	$ 6,777,151	$ 6,777,151
Valuation allowance	(6,656,069)	(6,643,918)
Net deferred tax asset	$ 121,082	$ 133,233

The company did receive tax refunds, net of any benefits for financial purposes in two of its foreign subsidiaries as of the year ended October 31, 2014 as follows:

	2014 **Audited**
Coda Octopus Products Ltd. - UK	$ 51,325
Coda Octopus R&D Ltd - UK	44,856
Total income tax refunds	$ 96,181

The Company did not incur any income tax expense for financial purposes in its U.S. entities and other foreign entities not included above as we have been able to use net operating loss carry-forwards and other timing differences during the current and prior year to offset any tax liabilities in the various tax jurisdictions. The use of these income tax benefits in the current and prior year have been adjusted for and offset by a valuation allowance as noted above. The Company still believes the future use and benefit of these tax assets is still uncertain and may not be realized.

The Company's income tax returns are subject to audit by taxing authorities for the years beginning November 1st 2011.

NOTE 9 - INCOME TAXES (Continued)

A reconciliation between the amount of income tax benefit determined by applying applicable U.S. statutory tax rate to pre-tax income is as follows:

	2015	2014
	Unaudited	**Audited**
Federal statutory rate of 35%	$ (7,976)	$ 470,448
Alternative Mininium Tax	-	27,036
Foreign tax expense (benefit)		(96,181)
Use of NOL losses on consolidated tax returns	7,976	(470,448)
Total income tax expense	$ -	$ (69,145)

NOTE 10 - LOANS AND NOTES PAYABLE

Loans and notes payable consisted of the following at January 31, 2015 and October 31, 2014:

	2015 Unaudited	2014 Audited
On February 21, 2008 the Company issued a convertible senior secured debenture with a face value of $12M ("Secured Debenture"). The Secured Debenture under their original terms matured on 21 February 2015. The Secured Debentures term has been extended under a Deed of Amendment dated August 18, 2014 and the revised maturity date is August 21, 2016. The Secured Debentures attracts interest of 8.5% annually payable within 60 days of the end of the Company's financial quarters. The Company redeemed 20 Debentures (each having a face value of $100,000) on or around September 18, 2014. The revised face value of the Debentures currently is $10M. 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 Over The Counter Bulletin Board 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.	$ 14,693,686	$ 14,611,738
The Company has a line of credit secured by the accounts receivable and inventory of a subsidiary. The line has a maturity date of May 1, 2015. Interest floats between 4% and Prime plus 0.75%, whichever is higher.	413,491	413,491
The Company has a 10 year secured mortgage for $527,675, secured by a building in the UK that requires monthly principal payments of $4,397 along with interest at 2.75%, matures October 2023. The conversion rate varies according to exchange rates fluctuations	434,959	492,284
Total	$ 15,542,136	$ 15,517,513
Less: current portion	(463,200)	(466,259)
Total Long-Term Loans and Notes Payable	$ 15,078,936	$ 15,051,254

NOTE 10 - LOANS AND NOTES PAYABLE (Continued)

A reconciliation of the convertible senior secured debenture is as follows:

	2015 Unaudited	2014 Audited
Bond Principal	$ 10,000,000	$ 10,000,000
Accrued Interest	1,169,622	1,191,816
Accrued Terminal Conversion Premium	3,524,064	3,419,922
Total Bond Payable	$ 14,693,686	$ 14,611,738

The Accrued Terminal Conversion Premium will increase $26,875 in February. Thereafter the final amount for the Accrued Terminal Conversion Premium will be $3,550,849. No further amount will be accrued for under this category.

Principal maturities as of October 31, 2014 are as follows:

Years Ending October 31,	Amount Audited
2015	$ 466,259
2016	14,664,506
2017	52,768
2018	52,768
Thereafter	281,212
Totals	$ 15,517,513

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The Company reports other comprehensive income in accordance with ASC 220, *Comprehensive Income* (“ASC 220”). ASC 220 establishes standards for reporting in the financial statements all changes in equity during a period, except those resulting from investments by and distributions to owners. For the Company, other comprehensive income (loss) consists of foreign currency translation adjustments. Total other comprehensive income (loss) was $(908,293) and $173,367 for the three months ended January 31, 2015 and the year ended October 31, 2014, respectively. The loss of the three months ended January 31, 2015, resulted because of the US dollar gains against the Sterling Pound, during the three months.

A reconciliation of the other comprehensive income (loss) in the stockholders' equity section of the consolidated balance sheets is as follows:

	2015 Unaudited	2014 Audited
Balance, beginning of year	$ (101,169)	$ (274,536)
Total other compehensive income (loss) for the year - foreign currency translation adjustment	(908,293)	173,367
Balance, end of year	$ (1,009,462)	$ (101,169)

NOTE 12 - CONCENTRATIONS

Significant Customers

During the three months ended January 31, 2015, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were $1,853,869, or 44.1% of net revenues during the periods. Total accounts receivable from these customers at January 31, 2015 were $887,226 or 30.1% of accounts receivable.

During the year ended October 31, 2014, the Company had one customer from whom it generated sales greater than 10% of net revenues. Revenues from this customer were $4,544,890, or 27.6% of net revenues during the year. Total accounts receivable from this customer at October 31, 2014 was $1,653,797 or 41% of accounts receivable.

Limited Suppliers

We are exposed to a concentration risk in our supply chain for our key product, the Echoscope. There is a limited pool of suppliers for some of our key components and other components are subject to obsolescence risks due to the age of the technology.

NOTE 13 - EMPLOYEE BENEFIT PLANS

The Company's U.S. subsidiaries maintain a matching 401(k) retirement plan. The plan allows the Company to make matching contributions of 10 cents per dollar of employee contributions. U.S. employees who have at least six months of service with the Company are eligible. In addition, the Company's UK subsidiaries operate pension schemes which provide for the payment of the full contribution by the Company. These schemes in the UK operate on a defined contribution money purchase basis and the contributions are charged to operations as they arise. Finally, the Company is obligated to provide pension funding according to Norwegian legislation for its subsidiary located in Norway. The Company has an arrangement that fulfills this requirement. Employee benefit costs of the three months ended January 31, 2015 and the year ended October 31, 2014 were $45,006 and $48,821, respectively.

NOTE 14 - OPERATING LEASES

The Company occupies various office and warehouse facilities pursuant to both term and month-to-month leases. The leases expire at various times through February 28, 2017. The following schedule summarized the future minimum lease payments on the term operating leases:

Years Ending October 31,	Amount **Audited**
2015	$ 117,608
2016	52,435
2017	8,739
Totals	$ 178,782

NOTE 15 - RELATED PARTY TRANSACTIONS

During the fiscal year, our CEO provided Coda Octopus Martech with a short term loan of £144,096 (the equivalent of $238,842) as short term working capital. The loan accrues interest of 4.5% per annum. Subsequent to the financial year, Coda Octopus Martech repaid £97,066 which is the equivalent of, $167,999 using the exchange rate at the balance sheet date and includes £1,459 in interest, which is equivalent of $2,252 using the exchange rate at the balance sheet date.

NOTE 16 - SEGMENT ANALYSIS

Due to the nature of our businesses, we are operating in two reportable segments, which are managed separately based upon fundamental differences in their operations. Coda Octopus Martech and Coda Octopus Colmek operate as contractors, and the balance of our operations are comprised of product sales.

Segment operating income is total segment external revenue reduced by operating expenses identifiable with the business segment. Corporate includes general corporate administrative costs.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies.

There are inter-segment sales which have been eliminated in our financial statements. However for the purpose of segment reporting, these are included in the Supplemental Disclosure to the table below.

The following table summarizes segment asset and operating balances by reportable segment for the three months ended January 2015 and 2014 respectively.

The Company's reportable business segments operate in three geographic locations. Those geographic locations are:

* United States
* Europe
* Australia

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies. There are inter-segment sales which have been removed upon consolidation. These are included in the Supplemental Disclosure to the table below.

Information concerning principal geographic areas is presented below according to the area where the activity is taking place for the three months ended January 31, 2015 and 2014 respectively:

NOTE 16 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products) Unaudited	Marine Engineering Business Colmek (Services) Unaudited	Marine Engineering Business Martech (Services) Unaudited	Corporate Unaudited	Total Unaudited
Three Months Ended Janaury 31, 2015					
Revenues from External Customers	2,349,198	1,764,537	247,211	-	4,360,946
Cost of Revenues	608,922	1,021,606	330,023	-	1,960,551
Gross Profit	1,740,276	742,931	(82,812)	-	2,400,395
Research & Development	350,471	-	-		350,471
Selling, General & Administrative	693,274	491,981	167,408	118,201	1,470,864
Operating Income (Loss)	696,531	250,950	(250,220)	(118,201)	579,060
Other Income (Expense)					
Other Income	30,820	-	34	-	30,854
Interest Expense	(116,444)	(58,710)	(57,526)	(105,327)	(338,007)
Unrealized loss on sale of investment in marketable securities	-	-	-	(3,031)	(3,031)
Total other income (expense)	(85,624)	(58,710)	(57,492)	(108,358)	(310,184)
Income (Loss) before income taxes	610,907	192,240	(307,712)	(226,559)	268,876
Income tax refund (expense)	-	-	-	-	-
Net Income (Loss)	610,907	192,240	(307,712)	(226,559)	268,876
Supplemental Disclosures					
Total Assets	11,103,326	6,488,684	2,480,695	1,145,643	21,218,349
Total Liabilities	2,187,315	1,483,213	583,020	14,901,143	19,154,691
Revenues from Intercompany Sales - eliminated from sales above	449,306	72,663	133,278	298,307	953,555
Depreciation and Amortization	55,098	39,621	1,947	3,249	99,915
Purchases of Long-lived Assets	-	52,300	-	-	52,300

NOTE 16 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products)	Marine Engineering Business Colmek (Services)	Marine Engineering Business Martech (Services)	Corporate	Total
Three Months Ended Janaury 31, 2014	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Revenues from External Customers	$ 2,615,453	$ 401,203	$ 351,668	$ -	$ 3,368,324
Cost of Revenues	765,544	253,328	199,733	-	1,218,605
Gross Profit	1,849,909	147,875	151,935	-	2,149,719
Research & Development	310,860	-	-	-	310,860
Selling, General & Administrative	676,443	407,703	144,648	140,352	1,369,146
Operating Income (Loss)	862,606	(259,828)	7,287	(140,352)	469,713
Other Income (Expense)					
Other Income	31,011	-	-	-	31,011
Interest Expense	(137,535)	(65,436)	(64,382)	(132,410)	(399,763)
Unrealized gain on sale of investment in marketable securities	-	-	-	(1,194)	(1,194)
Gain (loss) on change in fair value of derivative liability	-	-	-	-	-
Total other income (expense)	(106,524)	(65,436)	(64,382)	(133,604)	(369,946)
Income (Loss) before income taxes	756,082	(325,264)	(57,095)	(273,956)	99,767
Income tax refund (expense)	-	-	-	-	-
Net Income (Loss)	$ 756,082	$ (325,264)	$ (57,095)	$ (273,956)	$ 99,767
Supplemental Disclosures					
Total Assets	$ 13,553,036	$ 4,119,629	$ 2,236,401	$ 452,534	$ 20,361,599
Total Liabilities	2,259,264	150,197	150,522	16,627,291	19,187,274
Revenues from Intercompany Sales - eliminated from sales above	558,518	47,485	94,042	287,751	987,796
Depreciation and Amortization	39,849	19,690	2,654	3,205	65,398
Purchases of Long-lived Assets	119,981	2,199	1,790	-	123,970

NOTE 16 - SEGMENT ANALYSIS (Continued)

Information concerning activity in principal geographic areas is presented below according to the area where the activity is taking place for the three months ended January 31, 2015 and 2014 respectively:

	Europe	USA	Australia	Total
External Revenues by Geographic Locations	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Three Months Ended Janauary 31, 2015	$1,943,448	$1,908,010	$ 509,489	$ 4,360,946
Three Months Ended Janauary 31, 2014	$2,478,129	$ 890,195	$ -	$ 3,368,324

NOTE 17 - SUBSEQUENT EVENTS

Material Purchase

On March 21, 2015, Coda Octopus Colmek, Inc. completed the purchase of new office, production and R&D facilities for $1,200,000 in cash. These premises are located at 6526 South Cottonwood Street, Murray, Utah 84107. These premises are currently being customized for the requirements of Coda Octopus Colmek and we would expect to relocate the business on or around the end of June. In the meantime, it continues to lease premises (as described in the preceding section) on a month by month basis.