Coda Octopus Group, Inc.
Quarterly Report

February 1, 2016 – April 30, 2016

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Company Information:
Symbol: CDOC
SIC Code: 3812-Search, Detection, Navigation, Guidance, Aeronautical and Nautical Systems and Instruments
Type of Report: Second Quarter
Fiscal Year: 10/31

June 14, 2016

OUR GROUP

Coda Octopus Group, Inc.

Coda Octopus
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.

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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

Company Headquarters and Investors' Relations Contact

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

3) Security Information

Trading Symbol: CDOC
Exact title and class of securities outstanding: Common Stock and Series C Preferred Stock
CUSIP: 19188U 10 7
Par or Stated Value: 0.001 (Common Stock)
Total shares authorized: As of April 30, 2016 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 April 30, 2016: **126,365,895**
Total shares of Common Stock issued and outstanding as of June 14, 2016: **126,465,895**
Total shares of Series C Preferred Stock issued and outstanding as of April 30, 2016: **1,100**

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 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.

On June 30, 2015 the Company and the Holder of 6,087 shares of Series A Preferred Stock entered into an Exchange Agreement. Under the terms of the Exchange Agreement it was agreed to exchange 6,087 units of Series A Preferred Stock issued and outstanding (and which under the Certificate of Designation provided for dividends and voting rights) for 1,100 units of Series C Preferred Stock. These Series C Preferred Stock each have a nominal value of $0.001 and a stated value of $1,000. The 6,087 units of Series A Preferred Stock were surrendered and cancelled by the Company.

The Certificate of Designation for the new class of Series C Preferred Stock does not provide for dividends or voting rights for this class of securities. These units of Series C are convertible by the Holder or the Company subject to the Conversion Conditions being met and, if not converted, are redeemable at a fixed price of $1,100,000 on or before 31 December 2016.

On October 26, 2015 the Company issued 100,000 shares of common stock to one of its Directors, Mr. Robert Ethrington, in accordance with the terms of his appointment which provided for these shares of common stock to be issued subject to serving at least one year on the Company's Board.

On December 15, 2015 the Company purchased the remaining issued and outstanding 200 shares of Series A Preferred Stock and these have been surrendered and retired. The Series A Preferred Stock has been eliminated and appropriate Certificate of Elimination has been filed in Delaware.

Pursuant to the terms of a Restructuring Agreement between the Company and the Senior Secured Debenture Holder, on March 1, 2016 the Company issued 32,346,682 shares of Common Stock in full and final satisfaction of $3,558,136 representing the Terminal Conversion Premium outstanding on the Senior

Secured Debentures. The Terminal Conversion Premium was converted at a conversion price of USD eleven cents. See Pages 23-24 for summary of the terms of the Restructuring Agreement.

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 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 six months periods ended April 30, 2016 and 2015 are included in this Quarterly Report at pages 30 through to 57. The **unaudited** financial statements contain:

1.	Condensed consolidated balance sheet as of April 30, 2016 (unaudited) and October 31, 2015 (audited)
2.	Condensed consolidated statements of operations and comprehensive income for the three and six months ended April 30, 2016 (unaudited) and 2015 (unaudited)
3.	Condensed consolidated statement of stockholders' surplus for the six months ended April 30, 2016 (unaudited) and the year ended October 31, 2015 (audited)
4.	Condensed consolidated statements of cash flow for the three and six months ended April 30, 2016 (unaudited) and 2015 (unaudited)
5.	Notes to consolidated financial statements (unaudited)

The unaudited consolidated financial statements include the accounts of Coda Octopus Group, Inc., and our domestic and foreign subsidiaries of which all are wholly owned. 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 six months ended April 30, 2016

Throughout this discussion all references to the Previous Period means the period covering November 1, 2014 through to and including April 30, 2015. Similarly references to the Current Period means November 1, 2015 to April 30, 2016.

Coda Octopus Group is comprised of two business segments (see page 10 "Segment Reporting" for more details). These are the Marine Technology Business which is our products business ("Products Segment") and the Marine Engineering Business, which is our service business ("Services Segment") and therefore references to Products Segment and Services Segment are to these two businesses, respectively.

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 a number of factors including:

    a. the price of commodities, in particular Oil & Gas ("O&G"). The decline in the O&G price has resulted in large scale reduction in capital and operational expenditures budgets, which directly impact on the sales of our products into these and related markets;
    b. the allocation of funds to defense procurement by governments in the USA and UK;
    c. volatility of the markets including the currency market;
    d. uncertainty on the United Kingdom's continued membership of the European Union; and
    e. the general global economic environment.

ii. The Group has very limited external sources of capital available, and as such is reliant upon its ability to sell its products and services to provide sufficient working capital for its operations and obligations.

iii. During the Current Period the contraction of the O&G Sector has directly impacted on our Products Segment's performance as sales from this Segment did not meet our projections for the Current Period. This is due to the significant decline in the price of crude oil which has resulted in a lower demand for our marine products from the service providers to the O&G Sector. Additionally, our operating margins from this segment have declined due to aggressive terms and conditions we have to accept in order to compete in this climate.

The Company's operations are split between the United States, United Kingdom ("UK"), Australia and Norway. A significant proportion of our revenues and costs are incurred outside of the USA with a significant part of that in the United Kingdom.

With the political uncertainty over the UK's continued membership of the European Union ("EU") which has seen big swings in Sterling, we have suffered adverse currency movements affecting our UK Businesses during the reporting period. During the Current Period the exchange rate averaged 1.4493 as compared to 1.5319 during the Previous Period. This means that when translated into dollars, our revenues reported from our UK Businesses are 5.4% less in the Current Period than if the previous exchange rate had been maintained.

A. Results of Operations

I. General Overview

Our Marine Technology Business sells its products and associated services to the O&G sector, offshore wind energy, dredging and marine construction, marine and port security, and marine sciences sectors. This Segment generated approximately 51% and 51% of our total revenues in the Current Period and Previous Period, respectively. The revenues from our Product Segment are sales that were within our pipeline for a number of years and for which customer budgets were already approved. However, in making these sales we have had to increase the level of discounts and commissions in keeping with contractors' current demands in this fiercely competitive market, while not realizing the same levels of discounts within our costs of goods sold. We anticipate that our forecasted revenue plan from this Segment will be adversely impacted in the current fiscal year due to the wholesale contraction in O&G capital and operational expenditures. We expect to mitigate some of this impact by pursuing opportunities in the marine construction market, where our solution (our real time 3D sonar with customized proprietary software for this sector) is one of two solutions in the world for building breakwaters. Our strategy is to focus on getting more market share in the underwater construction markets which extends to breakwaters, asset placement, decommissioning and general IRM (inspection, repair and maintenance) market. We also intend to increase our marketing activities to make contractors' aware of the significant costs savings and health and safety benefits to be realized from adopting our real time 3D technology.

Our Marine Engineering Business largely sells its services into prime and sub-prime defense contractors. This Segment generated approximately 49% and 49% of our total revenues for the Current Period and Previous Period respectively. Our outlook for this Segment for the fiscal year is an overall increase in sales over the previous fiscal year.

During the Current Period our total revenues have increased by 9.8% over the Previous Period but Gross Margins have declined by 3.0 percentage points compared to the Previous Period. This is due to the mix of sales generated by our Products Segment. Our product portfolio comprises real time 3D sonars, software relating to our sonars, attitude and motion sensors, geophysical software, thermal printers and other accessories. We also rent our products.

An overview of the changes in our Gross Margins is set out below:

Period	Products Segment	Services Segment	Overall Group
From November 01, 2015 to April 30, 2016	Decreased by 6.9 pp	Increased by 1.1 pp	Decreased by 3.0 pp
From November 01, 2014 to April 30, 2015	Decreased by 5.6 pp	Increased by 9.3 pp	Decreased by 6.2 pp
From November 01, 2013 to April 30, 2014	Increased by 20.3 pp	Decreased by 17.4 pp	Increased by 9.8 pp

During the Current Period our Products Segment Gross Margins have reduced 6.9 percentage points over the Previous Period. This decline is due to a number of factors. First, in the Current Period the bulk of our revenues are made up of outright sale of the products as compared to rental of our real time 3D technology with associated services. Outright sales yield a lower Gross Margin than rentals. Second, in the Current Period we had significant discounts and sales agents' commissions on the sales effected in the Current Period. Third we have suffered adverse currency movements affecting our UK Businesses. With the political uncertainty over the UK's continued membership of the European Union (EU) the GBP has weakened to the USD to an average of 1.4493 during the Current Period compared to an average of 1.5319 during the Previous Period our revenues reported from our UK Businesses for the Current Period are 5.4% less when reported in USD than if the Previous Period's exchange rate had been maintained.

Although there is a decline in our Gross Margins in the Current Period, we do not believe that this is indicative of the future outlook for the Business but rather reflects the current challenging commercial environment in which we are operating (particularly, the in O&G sector).

During the Current Period our Operating Income increased by 67.4% as compared to the Previous Period.

Our overall net income increased by 130% over the Previous Period. This is largely due to increase in our revenues and reduction in SG&A and interests expenditures.

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 ("Services Segment")), and the balance of our operations (Marine Technology Business ("Products Segment")) are comprised of product sales and rentals. Reference to Services Segment and Products Segments relate to these two Businesses, respectively.

Our Marine Technology Business sells its products and associated services to the O&G sector, offshore wind energy, dredging and marine construction, marine and port security, and marine sciences sectors.

This Segment generated approximately 51% and 51% of our total revenues for the six months ended April 30, 2016 and April 30, 2015, respectively.

Our Marine Engineering Business largely sells its services into prime and second tier defense contractors and generated approximately 49% and 49% of our total revenues for the six months ended April 30, 2016 and April 30, 2015, respectively.

Segment Analysis

Segment operating income is total segment revenue reduced by operating expenses identifiable with the business segment. Overhead 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 in Note 1 to the Consolidated Financial Statements.

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 table below only under Supplementary Disclosures.

The following tables summarize certain balance sheet and statement of operations information by reportable segment for the six months ended April 30, 2016 and 2015, respectively.

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
For the six months ended April, 30, 2016				
Revenues from External Customers	$ 5,389,099	$ 5,132,715	$ -	$ 10,521,814
Cost of Revenues	2,068,408	2,709,592	-	4,778,000
Gross Profit	3,320,691	2,423,123	-	5,743,814
Research & Development	415,291	-	-	415,291
Selling, General & Administrative	1,389,535	1,570,879	202,679	3,163,093
Operating Income (Loss)	1,515,865	852,244	(202,679)	2,165,430
Other Income (Expense)				
Other Income	99,764	5,898	-	105,662
Interest Expense	(285,077)	(113,818)	(143)	(399,038)
Unrealized loss on sale of investment in marketable securities	-	-	-	-
Total other income (expense)	(185,313)	(107,920)	(143)	(293,376)
Income (Loss) before income taxes	1,330,552	744,324	(202,822)	1,872,054
Income tax refund (expense)	-	-	-	-
Net Income (Loss)	$ 1,330,552	$ 744,324	$ (202,822)	$ 1,872,054
Supplemental Disclosures				
Total Assets	$ 12,659,049	$ 10,000,625	$ 207,752	$ 22,867,426
Total Liabilities	1,375,795	830,979	11,745,611	13,952,385
Revenues from Intercompany Sales - eliminated from sales above	356,402	241,353	244,000	841,755
Depreciation and Amortization	125,635	174,719	6,432	306,786
Purchases of Long-lived Assets	719,307	21,798	8,868	749,973

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Six months Ended April 30, 2015				
Revenues from External Customers	$ 4,915,466	$ 4,667,277	$ -	$ 9,582,743
Cost of Revenues	1,545,433	2,515,766	-	4,061,199
Gross Profit	3,370,033	2,151,511	-	5,521,544
Research & Development	577,377	-	-	577,377
Selling, General & Administrative	1,490,394	1,239,379	921,054	3,650,827
Operating Income (Loss)	1,302,262	912,132	(921,054)	1,293,340
Other Income (Expense)				
Other Income	112,825	57	-	112,882
Interest Expense	(231,473)	(223,928)	(132,901)	(588,302)
Unrealized gain on sale of investment in marketable securities	-	-	(3,031)	(3,031)
Total other income (expense)	(118,648)	(223,871)	(135,932)	(478,451)
Income (Loss) before income taxes	1,183,614	688,261	(1,056,986)	814,889
Income tax refund (expense)	-	-	-	-
Net Income (Loss)	$ 1,183,614	$ 688,261	$ (1,056,986)	$ 814,889
Supplemental Disclosures				
Total Assets	$ 11,444,520	$ 9,278,585	$ 152,681	$ 20,875,786
Total Liabilities	1,952,566	464,299	15,649,552	18,066,417
Revenues from Intercompany Sales - eliminated from sales above	879,964	253,010	551,143	1,684,117
Depreciation and Amortization	119,345	86,761	3,248	209,354
Purchases of Long-lived Assets	(104,404)	1,276,928	-	1,172,524

The Company's reportable business segments operate in the following three geographic locations:

- United States
- Europe
- Australia

There are inter-segment sales which have been removed upon consolidation. These are detailed in the Supplemental Disclosures to the table disclosed above.

Information concerning activity in principal geographic areas is presented below according to the area where the activity is taking place for the six months ended April 30, 2016 and 2015 respectively:

External Revenues by Geographic Locations		USA		Europe		Australia		Total
Six months Ended April 30, 2016	$	4,955,901	$	4,763,447	$	802,465	$	10,521,814
Six months Ended April 30, 2015	$	4,560,734	$	4,473,227	$	548,783	$	9,582,744

Comparison of the six months ended April 30, 2016 to the six months ended April 30, 2015

Revenues for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Revenues for the six months ended April 30, 2016*)	Percentage Change	Revenues for the six months ended April 30, 2015*)
$10,521,814	Increase of 9.8% ("Increase")	$9,582,743

*) Unaudited

During the Current Period our total revenues have increased by 9.8% over the Previous Period. This increase is largely due to increases in sales generated by both Segments.

In the Current Period, 51% of our revenues is attributed to sales by our Marine Technology Business and 49% is attributed to sales by our Marine Engineering Business. For Previous Period also 51% of the revenues was from our Marine Technology Business and 49% from our Marine Engineering Business. For the same period in the fiscal year ending October 31, 2014, 78% of the revenues were attributable to the Marine Technology Business and 22% to the Marine Engineering Business.

Although in the Current Period we have realized a modest increase in our revenues from our Product Segment compared to the Previous Period, overall this Segment is behind in its projected Revenue Plan for the current fiscal year. Furthermore, the outlook for this Segment in the current fiscal year remains poor due to contraction of capital and operational spending in the O&G sector resulting in many projects being either cancelled or postponed. Our Revenue Plan for this Segment in the current fiscal year is therefore at risk. Furthermore, visibility of orders has dropped due to the restructuring of the O&G sector. See Section titled "General Overview" for brief discussion on our strategy to address the risks posed from the decline in O&G.

Gross Margins for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Gross Margins for the six months ended April 30, 2016*)	Gross Margins for the six months ended April 30, 2015*)
54.6% (gross profit of $5,743,814)	57.6% (gross profit of $5,521,544)

*) Unaudited

The Decrease in gross margin percentage is due to the mix of sales from our Product Segment in the reporting period and the continuous pressure on spending in the offshore O&G market. Essentially the decline is due to a number of factors. First, in the Current Period the bulk of our revenues from the Marine Technology Business are made up of outright sale of the products as compared to rental of our real time 3D technology with associated services in the Previous Period. Outright sales yield less Gross Margins. Second, we had significant discounts and sales agents' commissions on the sales effected in the Current Period. Furthermore, in general our Gross Margins on our Services Segments are less than those of our Products Segment. These factors have resulted in a decline in our overall Gross Profit Margins during the Current Period. We have also suffered adverse currency movements affecting the reported results of our UK Businesses.

Although there is a decline in our Gross Margins in the Current Period, we do not believe that this is indicative of the future outlook for the Business but rather reflects the current challenging commercial environment in which we are operating (particularly, the O&G sector).

Research and Development (R&D) for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

R&D costs for the six months ended April 30, 2016*)	Percentage Change	R&D costs for the six months ended April 30, 2015*)
$415,291	Decrease of 28.1% ("Decrease")	$577,377

*) Unaudited

Although our R&D Expenditures for the Current Period are lower than the Previous Period, we would expect these expenditures to be higher on a full year basis. In this connection, we are currently expending significant efforts in the advancement of our patented real time 3D technology and we therefore anticipate in this fiscal year a significant increase in this area of expenditure in the business. The increase will be attributable to two categories. These are, first, increase in electronics engineering skills in the Products Segment and second, expenditures associated with research, design, development and prototyping of new real time 3D products. We also expect to incur one-off costs in bringing the production of certain key components of our current flagship product in-house as the particular component manufacturer is reorganizing and we believe given the importance of those components they are better developed internally than supplied by third party suppliers. This is done in order to provide security of supply of this key component. This will involve some significant one off costs which we will recover over time. Although we are expending significant efforts on the onward development of our products, there can be no guarantee that these will be technical or commercial successes.

Selling, General and Administrative Expenses (SG&A) for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

SG&A for the six months ended April 30, 2016*)	Percentage Change	SG&A for the six months ended April 30, 2015*)
$3,163,093	Decrease of 13.4% ("Increase")	$3,650,827

*) Unaudited

The Decrease in our SG&A expenditures is a reflection of the fact that we had some exceptional non-recurring costs in the Previous Period. The current level of SG&A is in keeping with our expectations. On a full year basis we expect SG&A expenditures to increase to reflect increased costs associated with becoming SEC Reporting. We expect to file appropriate forms for this with the SEC in the third or fourth quarter of our current fiscal year. We will also have increased costs associated with engaging new Investor Relations services.

Key Areas of SG&A and R&D Expenditure across the Group for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Expenditure	April 30, 2016*)	Percentage Change	April 30, 2015*)
Wages and Salaries	$2,236,668	Increase of 3.6%	$2,158,142
Legal and Professional Fees (including accounting, audit and investment banking services)	$486,758	Decrease of 53.7%	$1,051,990
Rent and office costs for our various locations	$242,424	Decrease of 6.9%	$260,265
Marketing	$77,871	Decrease of 59.3%	$191,292

*) Unaudited

<u>Wages and Salaries</u>: This Increase is in keeping with our strategy to keep our costs under control by for instance achieving costs savings by moving the production of our 3D real time imaging sonar, the Echoscope®, from a high cost to a lower cost country and at the same time investing in our direct sales resources across the Group.

<u>Legal and Professional Fees</u>: In the Previous Period we had non-recurring exceptional costs associated with ongoing litigation. This litigation has been settled in full and this Current Period's level of costs accurately reflects our expectations. However, going forward we would expect to see this area of expenditures increase to reflect the one off and maintenance costs associated with being a SEC Reporting Company and also costs associated with Investor Relation services.

<u>Rent and Office Costs:</u> The decrease in this area of expenditure is due to savings being made from owning our facilities including most recently in Salt Lake City, Utah, which has allowed us to discontinue the rental of the premises in that location. We would expect to see further reduction in these costs upon relinquishing our current offices in Norway for a smaller and more economical unit to reflect our ongoing R&D in Norway.

<u>Marketing:</u> This is in keeping with our current strategy to reduce expenditure on business travel for promotion and marketing of our products where we can.

Operating Income for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Operating Income for the six months ended April 30, 2016*)	Percentage Change	Operating Income for the six months ended April 30, 2015*)
$2,165,430	Increase of 67.4% ("Increase")	$1,293,340

*) Unaudited

The Increase in Operating Income is due to the increase in sales generated by both our Products and Services Segments in the Current Period combined with a reduction in our SG&A expenditures (which have decreased compared to the Previous Period).

Other Income for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Other Income for the six months ended April 30, 2016*)	Percentage Change	Other Income for the six months ended April 30, 2015*)
$105,662	Decrease of 6.4% ("Decrease")	$112,852

*) Unaudited

This is mainly Value Added Tax (equivalent of Sales Tax) rebates to our Products Segment in the United Kingdom.

Interest Expense for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Interest Expense for the six months ended April 30, 2016*)	Percentage Change	Interest Expense for the six months ended April 30, 2015*)
$399,038	Decrease of 32.2% ("Decrease")	$588,302

*) Unaudited

This amount comprises interests on (i) the Senior Secured Debentures; and (ii) interest on mortgage obligation.

The Decrease in this category of expenditure is due to maturity of the 30% Redemption Period on the Senior Debentures in conjunction with reduction of the principal amount of the Senior Debentures resulting in lower interests payments.

Net Income for the six months ended April 30, 2016 compared to the six months ended April 30, 2015

Net Income for the six months ended April 30, 2016*)	Percentage Change	Net Income for the six months ended April 30, 2015*)
$1,872,054	Increase of 129.7% ("Increase")	$814,859

*) Unaudited

The Increase in Net Income is due to the increase in revenues generated in the Current Period in conjunction with a reduction in our SG&A and Interest expenditures.

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, United Kingdom, 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. A significant part of the Company's business is conducted in Pound Sterling. With the political uncertainty on the UK's continued membership of the European Union (EU), we anticipate that we may realize significant adverse currency movement affecting our UK businesses.

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, for 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, in the future, engage in hedging transactions to mitigate foreign exchange risks.

Due to a significant proportion of our revenues are being generated in the United Kingdom in GBP, the Company's results are affected by the current uncertainty relating to United Kingdom's future membership of the European Union. We have recently seen a significant weakening of the British Pound (GBP) from around approximately $1.60 to the GBP during the summer of 2015 to approximately $1.40 - $1.45 recently. This has a significant adverse effect on our revenues as reported in USD.

In addition to the volatile exchange rates, the uncertainty has spread to the business community with businesses postponing investment decisions until the issue of EU membership has been decided with the referendum on June 23, 2016. If the UK decides to leave the EU, the uncertainties will continue until the UK's future relationship to the EU in terms of trade arrangements etc. have been settled. This could take years.

During the six months ended April 30, 2016, a summary of our material foreign currency transactions includes:

	GBP £	**Norwegian Kroner (NOK)**	**Australian Dollar (AUD)**	**Total USD $**
Revenues from foreign subsidiary	£3,272,741	–	AUD 1,091,401	$5,545,317
Direct Costs of foreign subsidiaries	£1,594,887	-	AUD 591,088*	$2,745,881

*) This includes inter-company purchases of AUD 438,471 (USD 322,161)

The above are calculated at the average of the exchange rates at the end of the six months from November 1, 2015 to April 30, 2016.

The exchange rates during the six months ended April 30, 2016 were

- between $1.3866 and $1.5449 for Pound Sterling;
- between $0.1117 and $0.1242 for the Norwegian Kroner; and
- between $0.6859 and $0.7805 for the Australian Dollar.

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 and defense 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 Fiscal Year runs from November 1 through to and including October 31.

Our Group structure is shown on page 22 below.

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). This part of our business is sometimes referred to in this report as Products Segment.

Our most important product, the patented real time 3D imaging sonar the Echoscope® and its derivative products, 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™ (USE™), which is proprietary to the Company, 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.

We continue to onward develop this technology and in this fiscal year we are significantly increasing our research and development efforts on this area of our business.

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. This part of our business is sometimes referred to in this report as Services Segment.

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 is 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.

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

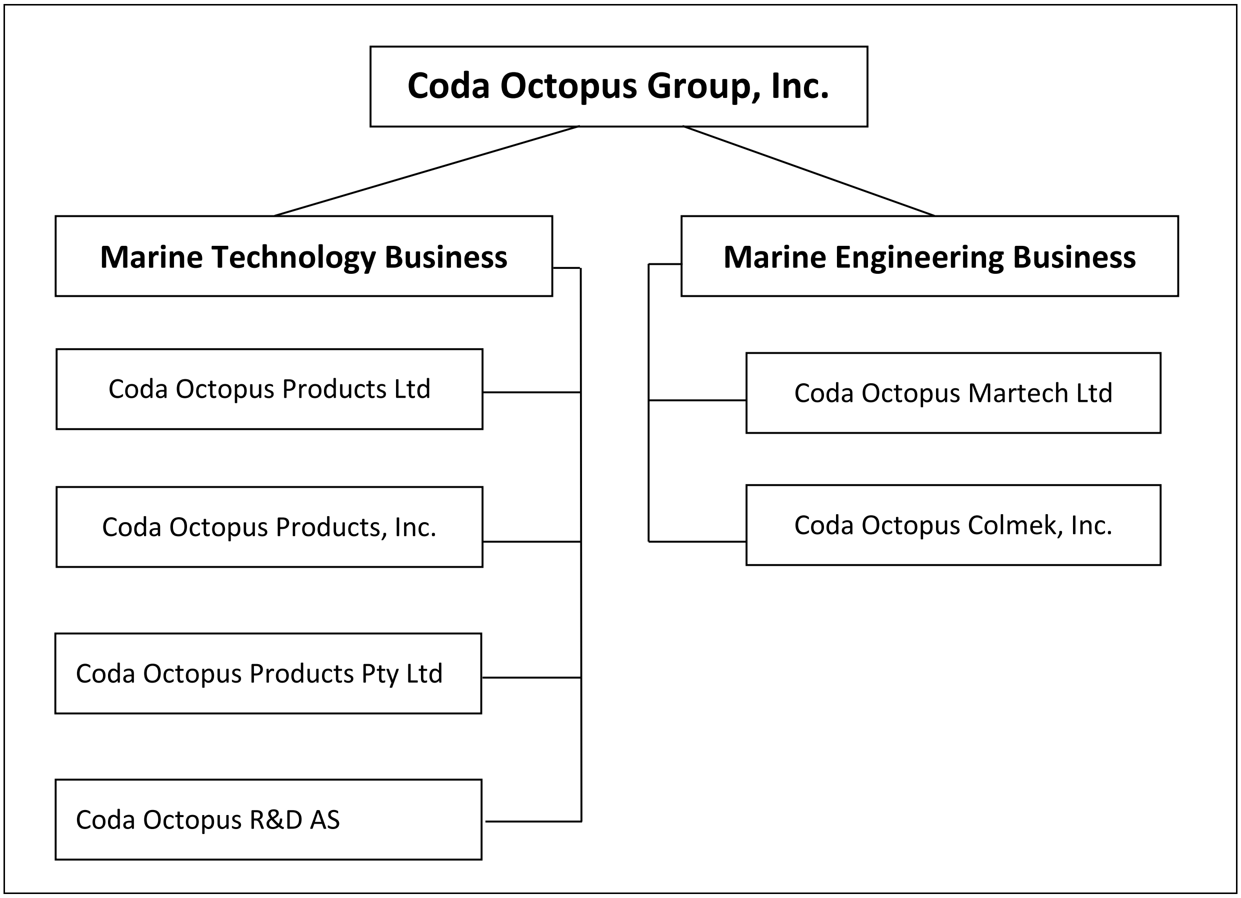
- Martech is LRQ accredited ISO9001:2008;
- Colmek is ISO9001:2008 compliant.

Colmek moved to a new Company owned facility in 2015.

The engineering capability within our Group (at the date of this Report we have approximately 72 highly skilled engineers) forms a key part of our strategy for developing our existing technologies and creating new ones for the marine markets.

GROUP STRUCTURE

Our Group Structure is as follows:



Outstanding Senior Secured Debentures and Ongoing Restructuring Plans

On February 21, 2008, we borrowed $12 million (of which $2 million was redeemed during the year ended October 31, 2014) under a convertible secured promissory note ("Senior Secured Debentures").

The terms of the Senior Secured Debentures provides for a redemption premium of 30% upon redemption or maturity. This amount is referred to in the reconciliation below as "Terminal Conversion Premium". The Senior Secured Debenture holder and the Company have agreed to convert the Terminal Conversion Premium into the Company's common stock

Our obligations under the Senior Secured Debentures are secured by all our assets. The Senior Secured Debentures incur interest of 8.5% per annum on the Principal Amount and are convertible at the debenture holder's option at any time at a conversion price of $1.05 per share. The Company may also force the conversion of the Debentures if certain conditions are met.

In August 18, 2014 the Company redeemed $2,000,000 Senior Secured Debentures. Since March 2016 until April 30, 2016 the Company has redeemed a further $200,000 so our Balance Sheet at April 30, 2016 includes a $9.8 million of the Senior Secured Debentures excluding accrued unpaid interest.

The maturity date of the Senior Secured Debentures was extended to November 1, 2017 under a Restructuring Agreement dated October 30, 2015.

The Terminal Conversion Premium was fully accrued on February 21, 2015 (the original maturity date of the Senior Secured Debentures").

The Senior Secured Debentures accrue interest at the rate of 8.5% per annum.

Our total indebtedness in respect of the Senior Secured Debentures is $11,180,706 at April 30, 2016 compared to $14,940,258 at October 31, 2015. This decrease is due to the conversion of the Terminal Conversion Premium portion of the Senior Secured Debentures into the Company's Common Stock pursuant to the terms of the Restructuring Agreement described immediately below and repayment of $200,000 of the principal amount outstanding. A full reconciliation of the Senior Secured Debentures can be found on page 24 of this report.

Restructuring Agreement

In an agreement dated October 31, 2015 the Company and the Senior Secured Debenture Holder reached agreement on the restructuring of the Senior Secured Debentures.

The material terms of the agreement are set out immediately below:

Extension of Maturity Date from August 31, 2016 to November 1, 2017: The parties have agreed to extend the maturity date of the Senior Secured Debentures to November 1, 2017 in exchange for the covenants and undertakings of the Company set out below.

Reduction of the Principal Amount of Loan Outstanding: The Company has covenanted to repay $2,000,000 of the principal amount outstanding under the Senior Secured Debentures. This amount will be paid over 10 months, with the first payment due on March 31, 2016. Since this date we have reduced the principal amount outstanding by $400,000, although only $200,000 is reflected in the Current Period as the reminder was paid subsequent to the end of the second Quarter.

Covenant to return to SEC Reporting: The Company has also covenanted to undertake the necessary steps to return to SEC reporting no later than 12 months from March 1, 2016.

Conversion of the portion representing the Terminal Conversion Premium into Common Stock: The Company and the Senior Secured Debenture Holder have also agreed to convert a part of the Company's indebtedness under the Loan Note Instrument into the Company's Common Stock. In this connection, the Parties have agreed to convert the Terminal Conversion Premium outstanding at the date of the

Agreement and being $3,558,136 into the Company's Common Stock at a conversion price of $0.11. Our financial statements reflects this transaction. In fulfilment of this Agreement, the Company issued 32,346,682 shares of common stock on or around March 1, 2016.

Failure to comply with the terms of the Deed of Amendment constitutes an event of default that would result in, among other things, an acceleration of the Company's obligations under the Senior Secured Debentures.

The Company is current in its obligations including covenants under the terms of the Senior Secured Debentures.

The Company believes that the restructuring of the Senior Secured Debenture Agreement will have a positive impact on the Company's financial condition. The reduction of the debt burden of the Group will pave the way for realistic refinancing of the outstanding balance of the Senior Secured Debentures and will also reduce the amounts that the Company expends on servicing interest obligations under the Senior Secured Debentures.

Notwithstanding, while the Company will make best endeavors to seek refinancing for the remainder of the Senior Secured Debentures, it cannot guarantee that its efforts will be successful in whole or in part.

A reconciliation of the Senior Secured Debentures is as follows:

	April 30, 2016	October 31, 2015
Bond Principal	$ 9,800,000	$ 10,000,000
Accrued Interest	1,380,706	1,382,122
Accrued Terminal Conversion Premium*)	-	3,558,136
Total Bond Payable	$ 11,180,706	$ 14,940,258

*) See Section covering "Restructuring Agreement"

Legal Proceedings

None

7) Describe the Issuer's Facilities

<u>Lakeland, Florida, USA (Headquarters to Group and operational facilities for Coda Octopus Products, Inc. – Owned by the Group)</u>

Our corporate offices, which co-locate with our wholly owned subsidiary, Coda Octopus Products, Inc., are located in Lakeland, Florida, USA. We own premises comprising 4,154 square feet of office, warehouse space and testing facilities.

<u>Orlando, Florida, USA</u>

Our US subsidiary Coda Octopus Products, Inc., purchased a property in Florida on or around February 2016 for around $730,000. This property will be used by staff who are assigned from our UK R&D Division to our Florida Office to help with R&D developments for US Bodies.

<u>Salt Lake City, Utah, USA (Marine Engineering Facilities – Owned by the Group)</u>

We own premises in Salt Lake City from which Coda Octopus Colmek conducts its operations. The premises comprise 16,000 square feet of office, test, R&D and production facilities and warehouse space.

<u>Edinburgh, Scotland, United Kingdom (Marine Technology Operations)</u>

<u>Offices</u>: Our wholly owned United Kingdom subsidiary, Coda Octopus Products Ltd, leases business premises comprising 4,099 square feet in Edinburgh, 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).

<u>R&D Test Facilities (Owned by the Group)</u>

The Company owns a R&D test facility in Edinburgh. These premises comprise 917 square feet and are equipped with acoustic test tank for the development and testing of our products.

<u>Production and Repair Services Facilities</u>

In keeping with its strategy to continue to develop our core patented flagship technology (the Real Time 3D Sonar Technology), Coda Octopus Products Ltd has, from 1 September 2015, leased manufacturing and servicing premises in Edinburgh comprising 2,450 square feet and located a few hundred yards from this business' principal place of business at Anderson House. These facilities have been equipped with a test tank and will be used to manufacture and service our Echoscope® products. Our flagship product is no longer produced in Bergen, Norway, but in Edinburgh, United Kingdom, at this leased facility.

The lease is for a period of 3 years and the annual rent is the British Pounds equivalent of $26,950 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations). The rent is fixed for the duration of the lease.

Portland, Dorset, England, United Kingdom (Marine Engineering Facilities with dedicated facilities for Marine Technology Operations – Owned by the Group)

Martech is located in premises built in 2014/15, which it leases from Coda Octopus Products Limited. The premises comprising 9,890 square feet 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 refurbished maritime business center directly on the waterway connected to Bergen harbor. After the move of the production and servicing of the Echoscope® to Edinburgh, UK, the facility now serves as a Research and Development center for hardware development of our flagship product utilizing our purpose-built laboratories. We intend to surrender the lease of these premises and seek smaller premises to continue the existing R&D work being done from our Norway operations.

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. The lease has been terminated in accordance with its terms with effect from December 1, 2016.

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

7.1) Subsequent Events

On May 16, 2016 the Board filled a vacancy on its Board of Directors by the appointment of Mr. Michael Midgley to the Board of Directors. Michael Midgley was also confirmed as the Acting Chief Financial Officer (CFO).

On May 16, 2016 the Board of Directors approved the issuance of 100,000 shares of Common Stock to Mr. Michael Midgley in accordance with the terms of his appointment.

Mr. Michael Midgley is also the Divisional CEO of Coda Octopus Colmek.

8) Officers, Directors, and Control Persons as of April 30, 2016

Officers and Directors:

- Michael Hamilton, Director and Chairman of the Board, USA
- Robert Ethrington, Director, UK
- Annmarie Gayle, LL.B, LLM, Group Chief Executive Officer and Director, Denmark
- Geoff Turner, Executive Director and Deputy Chief Executive Officer, UK
- Blair Cunningham, President of Technology and Director, USA
- Michael Midgley, Acting CFO and Divisional CEO (Coda Octopus Colmek, Inc.) USA

Control persons as of April 30, 2016:

- Core Fund LP
- 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 April 30, 2016 the following persons were recorded as beneficially owning more than ten percent (10%) of the issuer's common stock:

<table>
<tr><th>Shareholder</th><th>Number of Common Stock</th></tr>
<tr><td>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.</td><td>59,593,829</td></tr>
<tr><td colspan="2">The numbers in the above table do not include 9,142,857 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.</td></tr>
</table>

9) Third Party Providers

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

Legal counsel:

Louis A. Brilleman, P.C.
1140 Avenue of the Americas
9th Floor
New York
NY 10036

Accountant or Auditor:

The auditors of the consolidated group financial statements for the years ending October 31, 2015:

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 April 30, 2016 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.

June 14, 2016

/s/ Annmarie Gayle
Group CEO

Consolidated Financial Statements
For the Six Months Ended April 30, 2016 and the Year Ended October 31, 2015

Contents

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
April 30, 2016 and October 31, 2015

ASSETS

	2016	2015
CURRENT ASSETS	**Unaudited**	**Audited**
Cash and Cash Equivalents	$ 7,391,344	$ 6,310,694
Short Term Investments	-	-
Accounts Receivables	2,084,971	2,063,295
Inventory	3,264,789	3,781,311
Unbilled Receivables	1,380,931	1,479,874
Other Current Assets	294,322	319,481
Prepaid Expenses	211,015	126,504
Total Current Assets	14,627,372	14,081,159
Fixed Assets		
Property and Equipment, net	4,428,186	3,935,520
Other Assets		
Restricted Cash	14,041	13,890
Deferred Tax Asset	-	-
Goodwill and Other Intangibles, net	3,797,827	3,849,662
	3,811,868	3,863,552
Total Assets	$ 22,867,426	$ 21,880,231

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
April 30, 2016 and October 31, 2015

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
CURRENT LIABILITIES	Unaudited	Audited
Accounts Payable, trade	$ 1,035,606	$ 1,032,673
Accrued Expenses and Other Current Liabilities	869,414	705,927
Loans and Note Payable, current	1,848,217	2,050,930
Deferred Revenues	471,426	495,566
Total Current Liabilites	4,224,663	4,285,096
LONG-TERM LIABILITIES		
Deferred Tax Liability	33,606	35,963
Loans and Note Payable, long term	9,694,116	13,302,120
Total Liabilities	13,952,385	17,623,179
STOCKHOLDERS' EQUITY		
Preferred stock, Series A, $.001 par value; 50,000 shares authorized, 0 and 200 issued and outstanding, as of April 30, 2016 and October 31, 2015, respectively	-	-
Preferred stock, Series C, $.001 par value; 50,000 shares authorized, 1,100 issued and outstanding, as of April 30, 2016 and October 31, 2015, respectively	1	1
Common stock, $.001 par value; 150,000,000 shares authorized, 126,365,895 and 94,019,213 shares issued and outstanding as of April 30, 2016 and October 31, 2015, respectively	126,366	94,019
Additional paid-in capital	52,568,453	49,042,664
Accumulated other comprehensive income (loss)	(398,685)	373,516
Accumulated deficit	(43,381,094)	(45,253,148)
Total Stockholders' Equity	8,915,041	4,257,052
Total Liabilities and Stockholders' Equity	$ 22,867,426	$ 21,880,231

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 Periods Indicated

	Three Months Ended April 30th, 2016 Unaudited	Three Months Ended April 30th, 2015 Unaudited	Six Months Ended April 30th, 2016 Unaudited	Six Months Ended April 30th, 2015 Unaudited
Net Revenues	$ 5,745,975	$ 5,221,798	$ 10,521,814	$ 9,582,743
Cost of Revenues	2,236,851	2,100,650	4,778,000	4,061,199
Gross Profit	3,509,124	3,121,148	5,743,814	5,521,544
OPERATING EXPENSES				
Research & Development	186,991	226,906	415,291	577,377
Selling, General & Administrative	1,603,554	2,179,963	3,163,093	3,650,827
Total Operating Expenses	1,790,545	2,406,869	3,578,384	4,228,204
INCOME FROM OPERATIONS	1,718,579	714,279	2,165,430	1,293,340
OTHER INCOME (EXPENSE)				
Other Income	33,770	82,028	105,662	112,852
Interest Expense	(169,816)	(250,295)	(399,038)	(588,302)
Unrealized loss on investment in marketable securi	-	-	-	(3,031)
Total Other Income (Expense)	(136,046)	(168,267)	(293,376)	(478,481)
NET INCOME BEFORE INCOME TAXES	1,582,533	546,012	1,872,054	814,859
INCOME TAX (EXPENSE) BENEFIT	-	-	-	-
NET INCOME	$ 1,582,533	$ 546,012	$ 1,872,054	$ 814,859
NET INCOME PER SHARE:				
Basic	$ 0.01	$ 0.01	$ 0.02	$ 0.01
Diluted	$ 0.01	$ 0.01	$ 0.02	$ 0.01
WEIGHTED AVERAGE SHARES:				
Basic	115,943,075	93,919,213	104,860,683	93,919,213
Diluted	118,143,075	93,969,213	107,060,683	93,969,213
NET INCOME	$ 1,582,533	$ 546,012	$ 1,872,054	$ 814,859
Other Comprehensive Income:				
Foreign currency translation adjustment	299,876	199,698	(772,201)	(708,595)
Total Other Comprehensive Income	299,876	199,698	(772,201)	(708,595)
COMPREHENSIVE INCOME	$ 1,882,409	$ 745,710	$ 1,099,853	$ 106,264

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 Six Months Ended April 30, 2016 and the Year Ended October 31, 2015

	Preferred Stock Series A		Preferred Stock Series C		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Total
Balance, October 31, 2014	6,287	$ 6	-	$ -	93,919,213	$ 93,919	$ 49,033,759	$ (101,169)	$ (46,323,440)	$ 2,703,075
Foreign currency translation adjustment	-	-	-	-	-	-	-	474,685	-	474,685
Stock exchange from Series A to Series C	- 6,087	(6)	1,100	1	-	-	5	-	-	0
Stock issued for compensation					100,000	100	8,900			9,000
Net Income	-	-	-	-	-	-	-	-	1,070,292	1,070,292
Balance, October 31, 2015	200	0	1,100	1	94,019,213	94,019	49,042,664	373,516	(45,253,148)	4,257,052
Cancellation of Series A Preferred Stock	(200)	-	-	-	-	-	-	-	-	-
Stock issued for terminal conversion Premium	-	-	-	-	32,346,682	32,347	3,525,789	-	-	3,558,136
Foreign currency translation adjustment	-	-	-	-	-	-	-	(772,201)	-	(772,201)
Net Income	-	-	-	-	-	-	-	-	1,872,054	1,872,054
Balance, April 30, 2016	-	$ 0	1,100	$ 1	126,365,895	$ 126,366	$ 52,568,453	$ (398,685)	$ (43,381,094)	$ 8,915,041

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

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Cash Flows
For the Periods Indicated

	Three Months Ended April 30th, 2016 Unaudited	Three Months Ended April 30th, 2015 Unaudited	Six Months Ended April 30th, 2016 Unaudited	Six Months Ended April 30th, 2015 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income	$ 1,582,533	$ 546,012	$ 1,872,054	$ 814,889
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	127,621	55,283	306,786	155,198
Financing costs	212,500	(36,260)	-	48,688
Stock compensation	-	-	-	-
Unrealized loss on investments	-	-	-	3,031
(Increase) decrease in operating assets:				
Accounts receivable	(500,246)	(218,489)	(21,676)	868,846
Inventory	(53,643)	(483,106)	516,521	(20,097)
Prepaid expenses	(19,520)	169,424	(84,511)	(55,625)
Unbilled receivables	(521,846)	1,024,721	98,943	399,652
Other assets	1,922	-	25,159	-
Deferred Tax Asset		(2,159)		9,992
Increase (decrease) in operating liabilities:				
Accounts payable and other current liabilities	(23,424)	(1,074,371)	166,420	(218,620)
Deferred tax liabilities	-	-	-	-
Deferred revenues	(105,319)	377,695	(24,140)	163,388
Net Cash Provided by Operating Activities	700,578	358,750	2,855,556	2,169,342
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	(1,011,341)	(1,486,792)	(747,616)	(1,337,252)
Restricted cash	(1,015)	1,199,689	(151)	3,316
Purchases of intangible assets	142,589	-	(2,357)	-
Net Cash Used by Investing Activities	(869,767)	(287,103)	(750,124)	(1,333,936)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments made on loans and notes payable	(203,990)	(290,556)	(3,810,717)	(415,663)
Stock issued for terminal conversion premium	-	-	3,558,136	-
Net Cash Used by Financing Activities	(203,990)	(290,556)	(252,581)	(415,663)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	299,876	199,698	(772,201)	(708,595)
NET (DECREASE) INCREASE IN CASH	(73,303)	(19,211)	1,080,650	(288,852)
CASH AT THE BEGINNING OF THE PERIOD	7,464,647	5,022,786	6,310,694	5,292,427
CASH AT END OF PERIOD	$ 7,391,344	$ 5,003,575	$ 7,391,344	$ 5,003,575
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for interest	$ -	$ 229,050	$ 425,000	$ 255,000
Cash paid for taxes	$ -	$ -	$ -	$ -
Common stock issued for terminal consersion premium	$ -	$ -	$ 3,558,136	$ -

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Coda Octopus Group, Inc. (*"we ","us"* "*our company* " or *"Coda"*). We are developers 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, Australia and Norway. We also have engineering operations in the state of Utah, and the United Kingdom. We hold significant patents relating to our real time 3D sonars and associated software.

The consolidated financial statements include the accounts of Coda Octopus Group, Inc. and our domestic and foreign subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

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- and $6,500 as of April 30, 2016 and October 31, 2015, respectively.

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 of 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, aggregated $0 and $4,242 for the six months ended April 30, 2016 and the year ended October, 31 2015, respectively.

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:

	April 30, 2016	October 31, 2015
Raw materials and parts	$ 2,114,133	$ 2,605,262
Work in progress	292,483	54,750
Demo goods	661,402	685,015
Finished goods	196,772	436,284
Total Inventory	$ 3,264,789	$ 3,781,311

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. Significant estimates include costs and earnings in excess of billings and the valuation of goodwill.

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 delivery.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the relative 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

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

h. Revenue Recognition (continued)

contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred (materials and direct labor hours) to date to estimated total services (materials and direct labor hours) for each contract. This method is used as expenditures for 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.

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 the price of oil may affect our customers' ability to meet their obligations to us.

The Company's bank deposits are held with financial institutions both within and without the USA. 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 sheet. These amounts are stated on the consolidated balance sheets as Unbilled Receivables of $1,380,931 and $1,479,874 as of April 30, 2016 and October 31, 2015, respectively.

Our Deferred Revenue of $471,426 and $495,566 as of April 30, 2016 and October 31, 2015, 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 $21,708 and $3,437 as of April 30, 2016 and October 31, 2015, 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, our stated warranty period, from the date of sale. These amounts are stated on the balance sheets as a component of Deferred Revenue of $449,719 and $216,070 as of April 30, 2016 and October 31, 2015, respectively.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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 various accelerated and modified accelerated cost recovery system for income tax purposes versus straight line depreciation used for book purposes and from the 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 7 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.

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. There were no impairment charges recognized during the three months ended April 30, 2016 and the year ended October 31, 2015.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

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 six months ended April 30, 2016 and the year ended October 31, 2015, respectively.

p. Research and Development

Research and development costs consist of expenditures for the development of 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.

Tax credits are classified as a reduction of research and development expense. During the six months ended April 30, 2016 and the year ended October 31, 2015, respectively, we did not qualify for any tax credits.

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 six months ended April 30, 2016 and the year ended October 31, 2015, we have included compensation expense (when applicable) for unvested

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (Continued)

q. Stock Based Compensation (Continued)

stock-based compensation awards that were outstanding as of April 30, 2016 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	April 30, 2016	October 31, 2015
Numerator:		
Earnings from Continuning Operations	$ 1,872,054	$ 1,075,634
Denominator:		
Basic weighted average common shares outstanding	104,860,683	93,919,213
Conversion of Series C Preferred Stock	2,200,000	2,200,000
Dilutive effect of stock options	-	-
Diluted outstanding shares	107,060,683	96,119,213
Earnings from continuing operations		
Basic	$ 0.02	$ 0.01
Diluted	$ 0.02	$ 0.01

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 six months ended April 30, 2016, the Company had:

Cash and cash equivalents	$	7,391,344
Working capital		10,402,709
Total Stockholders' equity		8,915,041
Accumulated deficit		(43,381,094)
Net Income		1,872,054
Positive cash flows from operations		2,855,556

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 $11.2 million under senior debentures due through November 2017), 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 $14,041 and $13,890 as of April 30, 2016 and October 31, 2015, 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.

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 as of: Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to $50,761 and $137,546 for the six months ended April 30, 2016 and the year ended October 31, 2015, respectively. Goodwill is not being amortized.

	April 30, 2016	October 31, 2015
Customer relationships (weighted average life of 10 years)	$ 909,562	$ 905,966
Non-compete agreements (weighted average life of 3 years)	198,911	198,911
Patents and other	290,574	281,706
Total identifiable intangible assets - gross carrying value	1,399,047	1,386,583
Less: accumulated amortization	(983,326)	(929,656)
Total intangible assets, net	$ 415,719	$ 456,927

Future estimated annual amortization expenses as of October 31, 2015 as follows:

Years Ending October 31,	Amount
2016	$ 123,912
2017	72,458
2018	40,595
2019	40,595
Thereafter	179,367
Totals	$ 456,927

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 April 30, 2016 and October 31, 2015, respectively. The carrying amount of goodwill as of April 30, 2016 and October 31, 2015, respectively are recorded below:

	2016	2015
Breakout of Goodwill:		
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 for 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 services segments – Colmek and Martech. The goodwill impairment evaluation was conducted at the end of the financial year 2015 and management's opinion is that the carrying values are reasonable.

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of April 30, 2016 and October 31, 2015:

	2016	2015
Buildings	$ 2,923,289	$ 2,170,862
Land	200,000	200,000
Office machinery and equipment	1,898,983	1,868,514
Furniture, fixtures and improvements	886,867	855,574
Totals	5,909,140	5,094,950
Less: accumulated depreciation	(1,480,954)	(1,159,430)
Property and Equipment - Net	$ 4,428,186	$ 3,935,520

Depreciation expense for the six months ended April 30, 2016 and the year ended October 31, 2015, was $256,025 and $312,150, respectively.

NOTE 5 - OTHER CURRENT ASSETS

Other current assets consisted of the following at April 30, 2016 and October 31, 2015:

	2016	2015
Deposits	$ 7,315	$ 19,240
Other receivables	110,499	123,733
Value added tax (VAT) receivable	176,508	176,508
Total Other Current Assets	$ 294,322	$ 319,481

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.

On 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.

NOTE 6 – CAPITAL STOCK (Continued)

Common Stock (continued)

During the year ended October 31, 2015, the Company issued 100,000 shares of our common stock to a non-executive director as remuneration for being a member of the Company's Board of Directors. These shares were valued at their approximate trading price of $9,000 which was charged to operations.

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 C preferred stock. The remaining 4,900,000 shares of preferred stock are not designated.

Series A Preferred Stock

Pursuant to an Exchange Agreement concluded on June 30, 2015 between the Company and the Holder of 6,087 units of Series A Preferred, these units of Series A Preferred were cancelled, retired, and a new Series C preferred stock was created of which 1,100 units were issued, each unit having a stated value equal to $1,000. Series C Preferred Stock is convertible by the Holder or the Company subject to the Conversion Conditions being met and, if not converted, are redeemable at a fixed price of $1,100,000 on or before December 31, 2016. Series C preferred stock is non dividend bearing and has no voting rights.

On December 15, 2015 the Company purchased the 200 shares of Series A Preferred Stock that were outstanding at the end of the fiscal year ended October 31, 2015 and these have been surrendered and retired.

As of the date of this report, the Company has no shares of Series A Preferred Stock outstanding and this class has been eliminated and appropriate Certificate of Elimination has been filed in Delaware.

As of April 30, 2016 and October 31, 2015, the Company had 0 and 200 shares of Series A Preferred Stock in issue, respectively.

Series B Preferred Stock

On June 30, 2015, the Company cancelled the Series B Preferred Stock as a class.

Series C Preferred Stock

On or around June 30, 2015 the Company created a new class of Series C Preferred Stock.

The Series C Preferred stock has a par value of $0.001 per share and a stated value equal to $1,000. The Series C Preferred stock does not have any voting rights and no dividends are payable on these shares but the holder is entitled to receive value prior to holders of common stock in case of liquidating the Company.

At the date of this report there are 1,100 shares of Series C Preferred Stock issued and outstanding.

NOTE 7 - 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 follows the provisions of Accounting Standards Codification 740, *Income Taxes* (ASC 740). 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 the 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 years ended October 31, 2015 and 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 October 31, 2015 and 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 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 $15,286,000 as of October 31, 2015, 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 $5,961,000 as October 31, 2015. The Company has provided a valuation reserve against the full amount of the net operating loss benefit. For the years ended October 31, 2015 and 2014, respectively the Company had an Alternative Minimum Tax of $31,389 and $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 a 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.

NOTE 7 - INCOME TAXES (Continued)

Components of deferred tax assets as of April 30, 1016 and October 31, 2015 are as follows:

	2016	2015
Net operating loss carry-forward benefit	$ 6,777,151	$ 6,777,151
Valuation allowance	(6,777,151)	(6,813,114)
Net deferred tax (liability) asset	$ -	$ (35,963)

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, 2015 as follows:

	2016	2015
Net operating loss carry-forward benefit	$ 6,777,151	$ 6,777,151
Valuation allowance	(6,777,151)	(6,813,114)
Net deferred tax (liability) asset	$ -	$ (35,963)

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 believes the future use and benefit of these tax assets is still uncertain and may not be realized.

NOTE 7 - INCOME TAXES (Continued)

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

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

	2016	2015
Federal statutory rate of 35%	$ 655,219	$ 376,472
Alternative Mininium Tax	-	30,953
Foreign tax expense (benefit)	-	-
Use of NOL losses on consolidated tax returns	(655,219)	(374,602)
Total income tax expense	$ -	$ 32,823

NOTE 8 - LOANS AND NOTES PAYABLE

Loans and notes payable consisted of the following at April 30, 2016 and October 31, 2015:

	2016	2015
On February 21, 2008 the Company issued a convertible senior secured debenture with a face value of $12million ("Secured Debenture"). The Secured Debenture under its original terms matured on February 21, 2015. The Secured Debentures term has been extended under a Deed of Amendment dated October 30, 2015 and the revised maturity date is November 1, 2017. The Secured Debentures accrues 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 $9.8 million. 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 the 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 with respect to 2015, accrued terminal conversion balance. The terminal conversion premium in the amount of $3,558,136 has been converted into common stock as of January 31, 2016.	$ 11,180,706	$ 14,940,258
The Company has a 10 year secured mortgage for $527,675, secured by a building in the UK that requires monthly principal payments of $4,018 along with interest at 2.75%, and matures in October 2023. The conversion rate varies according to exchange rates fluctuations.	361,627	412,792
Total	11,542,333	15,353,050
Less: current portion	(1,848,217)	(2,050,930)
Total Long-Term Loans and Notes Payable	$ 9,694,116	$ 13,302,120

NOTE 8 - LOANS AND NOTES PAYABLE (Continued)

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

	2016	2015
Bond Principal	$ 9,800,000	$ 10,000,000
Accrued Interest	1,380,706	1,382,122
Accrued Terminal Conversion Premium **	-	3,558,136
Total Bond Payable	$ 11,180,706	$ 14,940,258

**The terminal conversion premium in the amount of $3,558,136 has been converted into common stock as of January 31, 2016.

Principal maturities as of October 31, 2015 are as follows:

Years Ending October 31,	Amount
2016	$ 5,605,130
2017	9,429,116
2018	46,994
2019	46,994
Thereafter	224,816
Totals	$ 15,353,050

NOTE 9 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) consists of foreign currency translation adjustments. Total other comprehensive income (loss) was $(973,375) and $474,685 for the six months ended April 30, 2016 and the year ended October 31, 2015, respectively.

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

Balance, beginning of year	$ 373,516	$ (101,169)
Total other compehensive income (loss) for the year - foreign currency translation adjustment	(772,201)	474,685
Balance, end of period	$ (398,685)	$ 373,516

NOTE 10 - CONCENTRATIONS

Significant Customers

During the six months ended April 30, 2016 , the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were $3,888,465, or 68% of net revenues during the period. Total accounts receivable from these customers at April 30, 2016 were $627,299 or 30% of accounts receivable.

During the year ended October 31, 2015, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from this customer were $6,723,176, or 35% of net revenues during the year. Total accounts receivable from this customer at October 31, 2015 was $617,066 or 30% of accounts receivable.

NOTE 11 - 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 nine 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 for the six months ended April 30, 2016 and the year ended October 31, 2015, respectively were $56,673 and $75,695, respectively.

NOTE 12 - 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
2016	$	170,959
2017		100,921
2018		43,060
Totals	$	314,940

Rent expense for the six months ended April 30, 2016 and the year ended October 31, 2015,was $92,801 and $365,184, respectively

NOTE 13 - SEGMENT ANALYSIS

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 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 but are disclosed in the tables below for information purposes.

The following table summarizes segment asset and operating balances by reportable segment for the six months ended April 30, 2016 and October 31, 2015, 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 and for the purposes of the information shown below.

Information concerning principal geographic areas is presented below according to the area where the activity is taking place for the six months ended April 30, 2016 and 2015 respectively:

NOTE 13 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
For the six months ended April, 30, 2016				
Revenues from External Customers	$ 5,389,099	$ 5,132,715	$ -	10,521,814
Cost of Revenues	2,068,408	2,709,592	-	4,778,000
Gross Profit	3,320,691	2,423,123	-	5,743,814
Research & Development	415,291	-	-	415,291
Selling, General & Administrative	1,389,535	1,570,879	202,679	3,163,093
Operating Income (Loss)	1,515,865	852,244	(202,679)	2,165,430
Other Income (Expense)				
Other Income	99,764	5,898	-	105,662
Interest Expense	(285,077)	(113,818)	(143)	(399,038)
Unrealized loss on sale of investment in marketable securities	-	-	-	-
Total other income (expense)	(185,313)	(107,920)	(143)	(293,376)
Income (Loss) before income taxes	1,330,552	744,324	(202,822)	1,872,054
Income tax refund (expense)	-	-	-	-
Net Income (Loss)	$ 1,330,552	$ 744,324	$ (202,822)	$ 1,872,054
Supplemental Disclosures				
Total Assets	$ 12,659,049	$ 10,000,625	$ 207,752	$ 22,867,426
Total Liabilities	1,375,795	830,979	11,745,611	13,952,385
Revenues from Intercompany Sales - eliminated from sales above	356,402	241,353	244,000	841,755
Depreciation and Amortization	125,635	174,719	6,432	306,786
Purchases of Long-lived Assets	719,307	21,798	8,868	749,973

NOTE 13 - SEGMENT ANALYSIS (Continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Six Months Ended April 30, 2015				
Revenues from External Customers	$ 4,915,466	$ 4,667,277	$ -	$ 9,582,743
Cost of Revenues	1,545,433	2,515,766	-	4,061,199
Gross Profit	3,370,033	2,151,511	-	5,521,544
Research & Development	577,377	-	-	577,377
Selling, General & Administrative	1,490,394	1,239,379	921,054	3,650,827
Operating Income (Loss)	1,302,262	912,132	(921,054)	1,293,340
Other Income (Expense)				
Other Income	112,825	57	-	112,882
Interest Expense	(231,473)	(223,928)	(132,901)	(588,302)
Unrealized gain on sale of investment in marketable securities	-	-	(3,031)	(3,031)
Total other income (expense)	(118,648)	(223,871)	(135,932)	(478,451)
Income (Loss) before income taxes	1,183,614	688,261	(1,056,986)	814,889
Income tax refund (expense)	-	-	-	-
Net Income (Loss)	$ 1,183,614	$ 688,261	$ (1,056,986)	$ 814,889
Supplemental Disclosures				
Total Assets	$ 11,444,520	$ 9,278,585	$ 152,681	20,875,786
Total Liabilities	1,952,566	464,299	15,649,552	18,066,417
Revenues from Intercompany Sales - eliminated from sales above	879,964	253,010	551,143	1,684,117
Depreciation and Amortization	119,345	86,761	3,248	209,354
Purchases of Long-lived Assets	(104,404)	1,276,928	-	1,172,524

CODA OCTOPUS GROUP, INC.
Notes to the Consolidate Financial Statements
April 30, 2016 and October 31, 2015

NOTE 13 - SEGMENT ANALYSIS (Continued

	USA	Europe	Australia	Total
External Revenues by Geographic Locations				
Six Months Ended April 30, 2016	$ 4,955,901	$ 4,763,447	$ 802,465	$ 10,521,814
Six Months Ended April 30, 2015	$ 4,560,734	$ 4,473,227	$ 548,783	$ 9,582,744