

July 2, 2009



Coda Octopus Reports Q2/Six Months Results

NEW YORK, NY -- (MARKET WIRE) -- 07/02/09 -- Coda Octopus Group, Inc. (OTCBB: CDOC), a world leader in underwater port security and marine survey technology, today reported results for the second fiscal quarter and six months ending April 30, 2009.

For the second fiscal quarter ended April 30, 2009, Coda Octopus Group, Inc. reported revenues of \$4.3 million, compared to \$5.1 million for the second fiscal quarter ended April 30, 2008. The Company had an operating loss of (\$111,287) compared to operating income of \$223,407 in the like year-ago quarter. Net loss applicable to common shares was (\$1,316,000), or (\$0.03) per share in Q2 2009, compared to a loss of (\$216,000), or (\$0.01) per share in Q2 2008. Adjusted Earnings Before Interest, Tax, Depreciation and Amortization and stock based compensation and non-recurring costs (EBITDA) results for the period were \$290,003 against \$405,214 in Q2 2008. Weighted shares outstanding increased from 48,317,993 to 49,000,244 over the period.

For the six-month period ended April 30, 2009, the Company reported revenues of \$7.5 million, as compared to \$8.2 million for the six months ending April 30, 2008. Net losses applicable to common shares were (\$3.5 million), or (\$0.07) per share for the first half of FY 2009, compared to a loss of (\$2.6 million), or (\$0.05) per share in the first half of FY 2008. Adjusted EBITDA results for the period, without non-recurring and non-cash charges for stock and options and exchange rate movements, were a loss of \$1,100,786 against \$1,533,370 for the like year-ago period. Weighted shares outstanding increased from 48,283,809 to 48,950,494 over the period.

The Company said that more than 80% of the revenue decline for both the three- and six-month periods could be directly attributed to the decline in the US dollar and resulting currency adjustments. In addition, sales of the Echoscope -- the Company's patented 3D real time underwater sonar system -- were negatively affected by the inability of various states and localities to take delivery due to severe budget constraints.

Jason Reid, Coda Octopus President and Chief Executive Officer, commented that, "We believe the decline in Echoscope sales is a short term phenomenon. Indeed, worldwide demand for the product appears to be greater today than at any time in the past."

The Company also said that it had successfully restructured operations to cut SG&A going forward by more than \$6 million on an annualized basis to approximately \$8.2 million. Reid said, "The fact that our marine products and engineering divisions have been able to both increase sales while we dramatically cut costs is very significant. Last year the Company reported an EBITDA loss of \$3.9m on revenues of \$16.9m. On the same revenue base going forward, we would now be able to look forward to a profit of approximately \$2.2m instead of a loss."

He continued, "I am very proud of the ability of the Coda management team to respond creatively and effectively to the challenges of the world-wide economic slowdown."

NON-GAAP Financial Measures

To comply with Regulation G promulgated pursuant to the Sarbanes-Oxley Act, Coda Octopus Group, Inc. has attached to this news release and will post to the Company's investor relations web site (www.codaoctopusgroup.com) any reconciliations of differences between non-GAAP financial information that may be required in connection with issuing the Company's quarterly financial results.

The Company, as is common in its industry, uses EBITDA as a measure of performance to demonstrate earnings exclusive of interest and non-cash events. The Company manages its business based on its cash flows. The Company, in its daily management of its business affairs and analysis of its monthly, quarterly and annual performance, makes its decisions based on cash flows, not on the amortization of assets obtained through historical activities. The Company, in managing its current and future affairs, cannot affect the amortization of the intangible assets to any material degree, and therefore uses EBITDA as its primary management guide. Since an outside investor may base its evaluation of the Company's performance based on the Company's net loss not its cash flows, there is a limitation to the EBITDA measurement. EBITDA is not, and should not be considered, an alternative to net loss, loss from operations, or any other measure for determining operating performance of liquidity, as determined under accounting principles generally accepted in the United States (GAAP). The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization, taxes and other non-cash expense. In assessing the overall health of its business during the third quarter of 2009 and 2008, the Company excluded the following:

- Impairment of investment: this represented a one-time revaluation of the carrying value of the investment and is outside our normal operating activities, and so has been excluded for these reasons.
- Debt modification costs: this was a one-off charge related to the Cash Control Framework agreement and has been attributed to putting that agreement in place, and so has been excluded for these reasons.
- Exchange rate variance: our budgeting assumptions allow for constant exchange rates so we exclude any variance that arises from exchange rate movements.
- Stock-Based Compensation: The Company believes that because of the variety of equity awards used by companies, varying methodologies for determining stock-based compensation and the assumptions and estimates involved in those determinations, the exclusion of non-cash stock-based compensation enhances the ability of management and investors to understand the impact of non-cash stock-based compensation on our operating results. Further, the Company believes that excluding stock-based compensation expense allows for a more transparent comparison of its financial results to previous periods.
- Other Income: The Company considers this a one time transaction, and it is not an indication of current or future operating performance. Therefore the Company does not consider the inclusion of this transaction helpful in assessing its current financial performance compared to previous periods as well as prospects for the future.

About Coda Octopus Group, Inc.

Coda Octopus Group, Inc. is a world leader in 3D real time underwater sonar technology. Our platform offers the ability to search, map, position, identify and classify under water in zero visibility from all angles in real time and 3D. We also have significant expertise in engineering services and products, software and systems integration. Our proprietary products and high technology services address niche markets worldwide in defense and security, and in the underwater oil and gas, maritime infrastructure, dredging and construction industries.

For further information, please visit <http://www.codaoctopus.com> or contact Coda Octopus at info@codaoctopusgroup.com.

Safe Harbor Statement:

This press release contains certain forward-looking statements. These forward-looking statements can generally be identified as such because the context of the statement will include words such as Coda Octopus Group plans, expects, should, believes, anticipates or words of similar import. Stockholders, potential investors and other readers are cautioned that these forward-looking statements are predictions based only on current information and expectations that are inherently subject to risks and uncertainties that could cause future events or results to differ materially from those set forth or implied by the forward-looking statements. Certain of those risks and uncertainties are discussed in post-effective amendment No. 2 to a registration statement on Form S-1 and include, but are not limited to, market acceptance of Coda Octopus' planned products and their level of sales, access to the capital necessary to finance and grow the business, a highly competitive environment in the security field that includes numerous large and well established companies much larger than ours, and our ability successfully to deploy our technologies and products to meet the technical demands and market requirements of our customers. These forward-looking statements are only made as of the date of this press release and Coda Octopus Group does not undertake any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

CODA OCTOPUS GROUP, INC.
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2009 AND 2008
(Unaudited)

	Three Months Ended		Six Months Ended	
	April 30, 2009	April 30, 2008	April 30, 2009	April 30, 2008
Net (loss), as reported	\$ (1,316,545)	\$ (187,559)	\$ (3,435,770)	\$ (2,558,340)
Interest expense, net	426,814	455,334	824,238	569,305
Depreciation and amortization	130,367	155,959	291,953	253,155
EBITDA	(759,364)	423,734	(2,319,579)	(1,735,880)

Adjustments:

Impairment of investment	782,000	-	782,000	-
Debt modification costs	162,832	-	162,832	-
Stock based compensation	102,241	-	298,726	196,189
Exchange rate variance	5,841	25,848	6,422	35,546
Other income	3,547	44,368	31,187	49,225
Adjusted EBITDA	290,003	405,214	(1,100,786)	(1,553,370)

CODA OCTOPUS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2009 and 2008
(UNAUDITED)

	For the three months ended April 30, 2009	For the three months ended April 30, 2008	For the six months ended April 30, 2009	For the six months ended April 30, 2008
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Net revenue	\$ 4,307,447	\$ 5,096,684	\$ 7,506,553	\$ 8,223,915
Cost of revenue	1,575,788	1,306,776	3,017,935	2,949,552
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Gross profit	2,731,659	3,789,908	4,488,618	5,274,363
Research and development	456,477	764,308	1,060,158	1,453,501
Selling, general and administrative expenses	2,223,628	2,802,193	5,126,347	5,859,122
Debt modification cost	162,832	-	162,832	-
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Operating income (loss)	(111,278)	223,407	(1,860,719)	(2,038,260)
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Other income (expense)				
Other income	3,547	44,368	31,187	49,225
Interest expense	(426,814)	(455,334)	(824,238)	(569,305)
Impairment of investment in short term				

investment	(782,000)	-	(782,000)	-
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Total other income (expense)	(1,205,267)	(410,966)	(1,575,051)	(520,080)
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Loss before income taxes	(1,316,545)	(187,559)	(3,435,770)	(2,558,340)
Provision for income taxes	-	-	-	-
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Net loss	(1,316,545)	(187,559)	(3,435,770)	(2,558,340)
Preferred Stock Dividends:				
Series A	(439)	(28,931)	(31,588)	(75,024)
Net Loss Applicable to Common Shares	\$ (1,316,984)	\$ (216,490)	\$ (3,467,358)	\$ (2,633,364)
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Loss per share, basic and diluted	(0.03)	(0.00)	(0.07)	(0.05)
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Weighted average shares outstanding	49,000,244	48,317,993	48,950,494	48,283,808
Comprehensive loss:				
Net loss	\$ (1,316,545)	\$ (187,559)	\$ (3,435,770)	\$ (2,558,340)
Foreign currency translation adjustment	(18,531)	(4,289)	(408,131)	(121,950)
Unrealized loss on investment	-	(195,500)	-	(382,500)
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Comprehensive loss	\$ (1,335,076)	\$ (387,348)	\$ (3,843,901)	\$ (3,062,790)
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