
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-52815

CODA OCTOPUS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

34-200-8348
(I.R.S. Employer
Identification Number)

4020 Kidron Road, Suite #4, Lakeland, FL 33811
(Address, Including Zip Code of Principal Executive Offices)

(801) 973-9136
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:
NONE

Securities registered under Section 12(g) of the Exchange Act:
COMMON STOCK, \$0.001 PAR VALUE PER SHARE

- Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
 - Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
 - Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
 - Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
 - Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company.
Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
 - Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
 - State issuer's revenues for its most recent fiscal year: \$19,234,000 (for fiscal year ended October 31, 2015)
 - State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of April 30, 2016, representing the last business day of the registrant's most recently completed second fiscal quarter: approximately \$3,776,015. For purposes of this computation, all directors and executive officers of the registrant are considered to be affiliates of the registrant. This assumption is not to be deemed an admission by the persons that they are affiliates of the registrant.
 - State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 127,078,395 as of August 12, 2016.
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EXPLANATORY NOTE

This Annual Report on Form 10-K for the year ended October 31, 2010 (the “Form 10-K”) for Coda Octopus Group, Inc. (the “Company”) was due on January 29, 2011. On July 28, 2011, the Company filed a Form 15 (the “Form 15”) with the Securities and Exchange Commission to terminate its registration under the Securities Exchange Act of 1934, as amended, and to suspend its duty to make filings thereunder. The filing of the Form 10-K at this time is not to be deemed an admission by the Company that it was required to do so prior to filing the Form 15.

The consolidated financial statements included herein and the disclosures directly related thereto speak as of October 31, 2010 and 2009, respectively, and for the two fiscal years then ended. Except as the context requires otherwise, all other information in the Form 10-K is current as of the date of filing thereof.

FORWARD-LOOKING STATEMENTS

This Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to in this annual report as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to in this annual report as the Exchange Act. Forward-looking statements are not statements of historical fact but rather reflect our current expectations, estimates and predictions about future results and events. These statements may use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “predict,” “project” and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management’s beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties and assumptions, including but not limited to, risks, uncertainties and assumptions discussed in this annual report. Factors that can cause or contribute to these differences include those described under the headings “Risk Factors” and “Management Discussion and Analysis and Plan of Operation.”

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statement you read in this annual report reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us, or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified in this annual report, which would cause actual results to differ before making an investment decision. We are under no duty to update any of the forward-looking statements after the date of this annual report or to conform these statements to actual results.

PART I

ITEM 1. BUSINESS

Overview

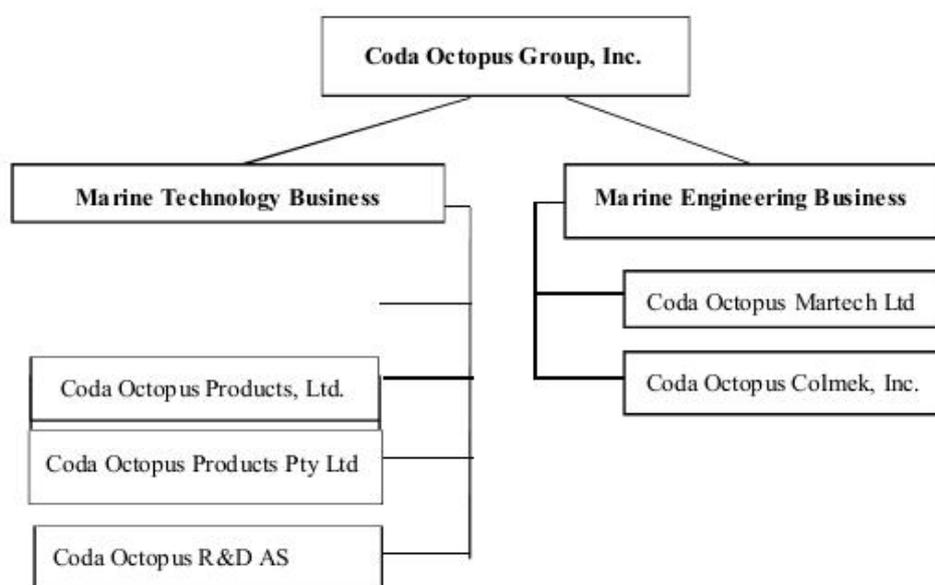
Coda Octopus Group, Inc. (“Coda,” “the Company,” or “we”) designs and manufactures patented real time 3D sonar solutions and other leading products for sale to the subsea, defense, mining and marine sciences markets, among others. In addition, we supply marine engineering business services to prime defense contractors.

We operate through two operating business segments: Marine Technology Business (“Products” segment) and Marine Engineering Business (“Services” or “Contracting” segment). Our products are used primarily in the underwater construction market, offshore oil and gas and wind energy industry, and in the complex dredging, port security, mining and marine sciences sectors. Our customers include service providers to major oil and gas companies, law enforcement agencies, ports, mining companies, defense companies, universities and research and development institutions.

We supply our marine engineering business services mainly to prime defense contractors. We have been supporting some significant defense programs for over 20 years, including the Close In Weapon Support program that enables us to supply, upgrade and maintain proprietary parts to these programs on an ongoing basis.

Our subsea marine technology products sold through our three wholly owned subsidiaries, Coda Octopus Products, Inc. (USA.), Coda Octopus Products Limited (United Kingdom), and Coda Octopus Products Pty Limited (Australia) and through our appointed agents globally. Our marine engineering business services are provided through our wholly owned subsidiaries, Coda Octopus Colmek, Inc. (“Colmek”) based in Salt Lake City, Utah, and Coda Octopus Martech Limited (“Martech”) based in the United Kingdom.

Our corporate structure is as follows:



Corporate History

The Company began as Coda Technologies Ltd (now operating under the name of Coda Octopus Products Limited), a UK corporation which was formed in 1994 as a start-up company with its origins as a research group at Herriot-Watt University, Edinburgh, Scotland. Initially, its operations consisted primarily of developing software for subsea mapping and visualization using sidescan sonar, a technology widely used in commercial offshore geophysical survey and naval mine-hunting to detect objects on, and textures of, the surface of the seabed.

In June 2002, we acquired by way of a merger Octopus Marine Systems Ltd, a UK corporation, and changed our name from Coda Technologies Ltd to Coda Octopus Ltd. At the time of its acquisition, Octopus Marine Systems was producing geophysical products broadly similar to those of Coda, but targeted at the less sophisticated, easy-to-use, “work-horse” market. It was also finalizing the development of a new motion sensing device (the “F180”), which was to be employed aboard vessels conducting underwater surveys to correct sonar measurement by providing precise positioning and compensation for vessel motion.

In December 2002, Coda Octopus Ltd acquired OmniTech AS, a Norwegian company, which became a wholly-owned subsidiary of the Company and now operates under the name Coda Octopus R&D AS. Before we acquired OmniTech, it had been engaged for over ten years in developing revolutionary sonar imaging and visualization technology to produce three-dimensional underwater images for use in the subsea construction industry. Now marketed by ourselves under the product name “Echoscope®”, this technology is unique in that it generates real time 3D images in low or zero visibility conditions. This technology has been patented in a number of jurisdictions, including the USA. This technology, which continues to be developed by our Research and Development team in the UK and Norway, allowed the Company to start to expand the original focus on hydrographic and geophysical survey to include the high end sonar market. At the inception of the Marine Technology Business our revenues were generated solely from our geophysical software product. Thereafter, we added the F180 series in 2002 and our revenues were split over these two products. With the addition of our real time 3D products, our revenues are now mainly generated from this suite of products and associated services.

On July 13, 2004, pursuant to the terms of a share exchange agreement between The Panda Project, Inc., a Florida corporation, and a now defunct entity affiliated with Coda Octopus Ltd. (“Coda Parent”), Panda acquired the shares of Coda Octopus Limited, a UK corporation and wholly-owned subsidiary of Coda Parent, in consideration for the issuance of a total of 20,050,000 shares of common stock to Coda Parent and other shareholders of Coda Octopus Limited. The shares issued represented approximately 90.9% of the issued and outstanding shares of Panda. The share exchange was accounted for as a reverse acquisition of Panda by Coda. Subsequently, Panda was reincorporated in Delaware and changed its name to Coda Octopus Group, Inc.

In June 2006, we acquired a design and engineering company, Martech Systems (Weymouth) Ltd (“Martech”), which provides bespoke engineering solutions in the fields of electronic data acquisition, transmission and recording, and which has links into our existing markets. Martech are suppliers to prime defense engineering companies. Martech has changed its name to Coda Octopus Martech Limited in December 2008.

In April 2007, we acquired Colmek (then Miller & Hilton d/b/a Colmek), a custom engineering service provider of defense engineering to prime contractors. Colmek has been supporting a number of defense programs since the early 1990’s. Specifically, it supplies proprietary parts into these programs including providing upgrades to such parts to address either obsolescence issues or advancement in technology. This Company changed its name to Coda Octopus Colmek Inc. in December 2008.

Marine Technology Business (“Products Segment”)

Our Marine Technology Business sells proprietary marine products in a number of worldwide market segments:

- Commercial marine geophysical survey;
- Oil & gas;
- Energy & renewables;
- Underwater security, law enforcement and naval operations;
- Underwater construction (asset placements, block placements, mattress placement, cable and pipe lay inspection and the like);
- Environmental Applications (example mammal research; natural gas seeps; habitat assessment; fisheries); and
- Salvage and decommissioning.

In the commercial marine geophysical survey sector, our products include geophysical data acquisition systems, analysis software and motion detection equipment that are used primarily by survey companies, research institutions and salvage companies.

We believe we possess an important and unique sonar technology, which is patented, and which gives us a significant advantage over our competitors in the market sectors where real time visualization is key and/or low or zero visibility conditions prevail.

Our product range includes products based on our patented Echoscope® in combination with our proprietary software which also includes patented techniques for rendering and tracking. We believe that our products are revolutionizing the sonar market, particularly in real time data acquisition, and subsea visualization in low or zero visibility conditions. This patented technology is the result of more than 20 years of research and development by our subsidiary, Coda Octopus R&D AS (CORDAS), Norway, which we acquired in 2002, and our software development team based in the UK. Our R&D Team in Norway is focused on the hardware component of our technology whereas our R&D Team in Edinburgh is focused on the accompanying software for this technology.

Since the acquisition of CORDAS, we have significantly advanced our research and development with respect to both hardware and software components, filed further patents and brought to market our third generation of the Echoscope[®] and the CodaOctopus Underwater Inspection System (UIS) as well as new derivative products, such as our forward looking sonar, Dimension[®] and our Echoscope C500 (a smaller and lighter variant of the Echoscope[®]).

We are focusing our research and development resources and budget on developing our 4th generation of real time 3D solutions for various market applications and varying price points. We believe this strategy will help to standardize real time 3D solutions in the subsea market and expand the applications for which the technology is used.

We have also introduced to the market the capabilities of real time 3D sonars. This technology is being adopted for many oil & gas, energy, subsea asset placements (blocks, mattresses and other installations), decommissioning and leak identification projects. Most of these projects require real time volumetric visualization.

A series of trials by independent experts and operators in the marine / subsea market have validated our longstanding position that the Echoscope[®] performance exceeds that of the current standard industry tools (such as the multi-beam sonar) in a number of key applications and provides unparalleled image resolution and beam density. We believe that these capabilities combined with our unique real time visualization advantage, our volumetric data acquisition capability and ability to measure things in real time combined with the further technological advances currently being developed, place the Echoscope[®] in a position to become the sonar of choice for many underwater applications in the future.

Moreover, many users in complex operations such as underwater construction are reporting significant time savings, and health and safety benefits, which allow them to out-perform their competitors. We believe that our real time 3D solutions including the Echoscope[®], which is being referred to by one of our significant customers as “[their] underwater eyes”, are making progress in shifting the conservative approach of the sonar market. Our technology is also used for bespoke and complex underwater construction that requires real time visualization. We believe that our real time 3D solutions are now being viewed as the products of choice in many complex operations. We further believe that our next generation of the real time 3D solutions will become the tools of choice for a much greater number of underwater applications through improved efficiency in work flow process presented by real time visualization capabilities.

We believe that our patented technology is the only commercially available sonar that can provide true real-time 3D volumetric imaging data underwater even in the most challenging zero visibility conditions. This unique capability provides unparalleled underwater scene awareness in similarly high frame rates as cameras and without the reliance of complex and costly positioning and motion reference units or the need for costly post processing of the underwater data acquired. The resultant scene data can be used for multiple tasks simultaneously including object detection and avoidance in true 3D, complex scene mapping and augmented reality 3D workspace imaging combining the real-time 3D data with 3D models, together providing real-time decision making and assessment.

The Echoscope[®] has a wide range of applications including:

- inspection of harbor walls;
- inspection of ship hulls;
- inspection of bridge pilings;
- block placements (in the context of breakwater construction)
- subsea asset placements including landings
- deep sea mining
- cable laying, cable pull in operations
- inspection of offshore installations such as gas and oil rigs and wind turbines;
- Remotely Operated Vehicle (ROV) navigation (obstacle avoidance);
- Autonomous Underwater Vehicle (AUV) navigation and target recognition (obstacle avoidance);
- construction - pipeline touchdown placement and inspection;
- obstacle avoidance navigation;
- bathymetry (measurement of water depth to create 3D terrain models);
- managing underwater construction tasks;
- underwater intruder detection;

- dredging and rock dumping;
- contraband detection;
- locating and identifying objects undersea, including mines;
- detection and study of individual species in real time 3D (fish, whales etc.);
- oil and gas leak detection;
- fish school detection and analysis;
- diver tracking and guidance;
- underwater archaeological and salvage site mapping;
- decommissioning;
- offshore renewable energy – cable laying and burial and pull-in;
- marine salvage operations;
- harbor construction – concrete armoring; and
- unexploded ordinances survey and intervention.

Within these applications, the technology can essentially provide real time 3D visualization of static scenes or moving objects from either a static location or a dynamically moving platform (vessel, Autonomous Underwater Vehicle (“AUV”) or Remotely Operated Vehicle (“ROV”)). Conventional sonars are capable of producing maps of static scenes only.

The Echoscope[®] technology is protected by patents, including a number of complementary patents such as a patent which covers our visualization methodology and our rendering of our real time 3D images. For example, one of our recently awarded patents provides for a new method of using multiple sonar images to produce in real-time 3D a very detailed image with sharply defined edges while intelligently discarding “noise” in the image produced by (for example) passing fish or floating debris.

We market the Echoscope[®] both as a stand-alone sonar device and as a fully integrated system, marketed under the name “CodaOctopus UIS (Underwater Inspection System)”. The latter is specifically aimed at the port security market and has been adopted by a significant number of ports in the United States. Until recently, we have not had any success with foreign ports for this product. In 2015 we have had success in introducing the system in one East Asian port where it is now on a program of adoption and where it will be used for amongst other applications, salvage and port and harbor inspection.

Due to the price point for our real time 3D solutions, we offer these for rent. The equipment is typically supplied with Echoscope[®] engineering (operator) services. This rental offering is an increasing and important market for the business and also provides access to the technology to a broader range of users.

Products

Our products are marketed under the “CodaOctopus” brand and consist of three main product lines:

Real Time 3D Sonar includes our unique and patented real time 3D sonars and cutting edge software (including patented techniques for rendering and tracking algorithms) that we believe is shaping the future of subsea operations.

Data Acquisition Products includes integrated hardware acquisition devices that feature rich post-processing software for all levels of geophysical survey work

Motion Sensing Products consists of a range of GPS-aided precision attitude and positioning systems and post-processing software for all types of marine survey and positioning work.

Real Time 3D Sonar

We offer four products within the real time 3D sonar: the Echoscope[®], the Echoscope[®] C500 (launched in 2014), the Dimension[®] and the CodaOctopus Underwater Inspections System.

Echoscope®

We believe that our real-time 3D imaging sonar technology represents the Company's most promising area for growth in the medium term. Echoscope®, developed over a period of more than 20 years, is a unique, patented technology generating high resolution 3D images of the underwater environment in low or zero visibility conditions in real time. For each sonar ping that is emitted by the Echoscope®, it receives 16,384 pieces of information back. The competition's multibeam sonar system receives back approximately 256 pieces of information for each sonar ping. This means in real time the probability of finding an underwater target/object is substantially greater with the Echoscope® than the conventional sonar equipment (such as multibeam or other imaging sonars).

Our current Echoscope® is approximately 15x11.8x6.3 inches and connects to a laptop with gaming specifications or similar hardware configuration which is required to handle the volume of data generated by our sonar.

We are unaware of any other product with the capabilities of the Echoscope®. The heightened awareness of terrorist attacks over the last two decades has resulted in a demand for practical, effective and rapid methods of detecting potential threats (such as explosives in harbors or on ship hulls). We believe that our real time 3D solutions including the Echoscope® are ideally suited for this task, as it provides highly detailed 3D images in real time including in difficult sea conditions where there is low or zero visibility.

The Echoscope® systems will sometimes require additional equipment to form a complete solution allowing us to leverage existing products and services, such as motion sensors and imaging processing software, into a wider market, and this in turn offers further opportunity for other products from the portfolio, such as our F180® positioning systems (Motion Sensing Product), discussed below.

Our Software development capability is an important part of the success we have achieved to date with our real time 3D solutions and our strategy to maintain our lead in designing, manufacturing and selling real time 3D solutions. Our real time 3D solutions are sold with Coda Octopus proprietary top end software, Underwater Survey Explorer™ ("USE"), and Vantage or Construction Monitoring System ("CMS"). Our Software Package is feature rich and includes significant capabilities that are designed to address subsea challenges by application particularly in the context of a dynamic subsea setting (as opposed to a static mapping of the seabed as is typical for conventional sonar technology). Some of our unique features include:

<u>Feature Description</u>	<u>Functionality</u>
Real Time Measurements	important for many types of subsea operations such as block or asset placements or aiding diving operations;
Models + Software Module	allows the user to import existing models and engineering drawings into the real time subsea environment
Edge Detection Algorithm	allows the user to superimpose an edge to easily identify a subsea target
Rendering a Noise Free Image	allows for a crisp, clear and high resolution photo-like image without any processing (which would be required for conventional sonars)
Tracking Algorithm	Algorithm is used to track known objects within the real time 3D Data. This is currently utilized in our Construction Monitoring Software Package (see below)

The Echoscope® and CodaOctopus Construction Monitoring Software (CMS) Software have important applications for breakwater construction. Our CMS package has been recently updated to include patented algorithms for tracking and placement of the single layer armor blocks used in a breakwater construction.

The CodaOctopus solution is one of two preferred solutions for breakwater construction and increasingly the CodaOctopus' solution is becoming the preferred solution for subsea block placements in breakwater solutions because of the capabilities that allow the crane operator to visualize the blocks while they are being placed in real-time. The CodaOctopus solution has significantly simplified and made safer this area of the workflow process in breakwater construction.

We do not believe that this important capability along with real-time visualization and monitoring of the construction site including previously laid blocks is possible with competing solutions. In addition, the feature rich software package (CMS) which allows the complete workflow for breakwater construction to be planned within the software, greatly reduces risks and time to the project and improves the quality of project deliverables and progress throughout. The patented tracking algorithms that have recently been enhanced and strengthened allow onward opportunity for similar applications involving placing known objects or structures underwater for other applications as well.

Dimension[®]

Designed for the remotely operated underwater vehicle (“ROV”) market, the Dimension[®] real time 3D forward looking sonar with CodaOctopus Vantage software (“Vantage”) offers a step-change view to ROV pilots. With a user-selectable quad-view of the scene in front of the ROV, the pilot can maneuver, navigate and monitor with confidence during zero visibility conditions.

Based on our patented Echoscope[®] technology and our Vantage software, Dimension[®] provides unparalleled real-time visualization for subsea vehicle applications. Designed for a wide range of ROVs, Dimension[®] is a unique, true real-time 3D sonar that transforms ROV underwater operations.

Using the Vantage software suite and advanced beam forming techniques, the Dimension[®] sonar provides the ROV pilot with a unique quad-view for safe navigation and obstacle avoidance purposes. The Vantage quad-view features a conventional plan-view, commonly provided by scanning sonars, along with three additional and separate real-time perspectives of the subsea environment.

Echoscope[®] C500 (“C500”)

The C500 was launched in 2014 and is based on our patented Echoscope[®] technology and delivers real-time 3D sonar capability in a smaller, lighter, ruggedized form factor with reduced power requirements. It is suitable for ROV and autonomous underwater vehicle (“AUV”) based applications as well as vessel deployments.

Fully integrated with our powerful Underwater Survey Explorer software, the C500 can be used with the full range of functionality available including the latest Models+ software module allowing dynamic control of sonar with augmented 3D models in the 3D Workspace. The C500 allows the acquisition of full real-time 3D data in a time efficient manner.

As a result of the reduced form factor, reduced power consumption requirements and price point, this new product opens new markets for our real time 3D solutions.

Software Products

All our sonars are sold with one of three proprietary software applications, Underwater Survey Explorer, Vantage or our Construction Monitoring System (CMS). Our Software packages are critical to the usability of our real time 3D sonar solutions. Our software applications are feature rich and are uniquely driven to provide complete functionality in the live environment without the need to perform post processing and analysis of the data to produce results. There are a number of unique capabilities (some of which are described above).

Data Acquisition

We started our business in 1994 designing and developing the CodaOctopus GeoSurvey software package. For over a decade our GeoSurvey[™] has been an industry leading software package on the market for data acquisition and interpretation and provides feature rich solutions and productivity enhancing tools for the most exacting survey requirements. Designed specifically for side-scan and sub-bottom data acquisition, CodaOctopus GeoSurvey has been purchased by numerous leading survey companies throughout the world. This product range includes:

CodaOctopus GeoSurvey Acquisition Products

These consist of a range of hardware and software solutions for field acquisition of sidescan sonar and sub-bottom profiler, which includes analogue and digital interfaces compatible with all geophysical survey systems. This is our original product range that includes the following products:

- DA4G - 500, Sidescan sonar and sub-bottom profiler simultaneously
- DA4G - 1000, Sidescan sonar and sub-bottom profiler separately
- DA4G - 2000, Sidescan sonar or sub-bottom profiler

CodaOctopus GeoSurvey Productivity Suite

This consists of an integrated suite of software that automates the tasks of analyzing, annotating and mosaicing complex data sets, thus ensuring faster and more precise results.

CodaOctopus Instruments

These consist of simple, solid and robust solutions for sidescan sonar and sub-bottom profilers. Used throughout the world by leading survey companies, navies and academic organizations, CodaOctopus instruments are ideal where minimal training and simple installation and set-up is paramount. Coupled with intuitive but powerful post processing software, the Octopus range meets the requirements of survey applications from the smallest inshore survey, rapid deployment naval reconnaissance to large scale site investigations. This product range includes the following:

The DA4G™ series of acquisition systems which provide high quality, robust and reliable data acquisition from the latest digital and analogue sidescan sonar and sub-bottom profiler sensors.

DA4G™ is the 4th generation of our successful DA series and is built on twenty years of knowledge, experience and innovation in supplying unparalleled products and service to the worldwide geophysical survey sector. These purpose-built, turn-key, systems incorporate the very latest hardware specifications and are designed and delivered to meet the demanding nature of offshore survey work.

The DA4G™ range consists of a number of options and is backed up (like all our products) with global service and support.

Motion Sensing Products

The CodaOctopus F180® and the more recently introduced CodaOctopus F170™ families have been developed for the marine environment based on technology originally developed for the extreme world of motor racing. Modifications and enhancements have resulted in a simple-to-use, off-the-shelf product that brings accurate positioning and motion data into extreme offshore conditions for precision marine survey applications worldwide. Variants within the F180® series include the F190™, exclusively configured for use 'inland', e.g. within ports and harbors, and the F185™, with enhanced precision positioning to 2 cm accuracy (<1"). Octopus iHeave, an intelligent software product for dealing with long period ocean swell compensation, is fully integrated within the F180® series.

The F170™ family is designed with ease of use in mind. They are compact, simple to install and produce accurate position and motion data for the marine industry. Two product variants are available: the F170™ and the F175™. The F175™ allows integration of third-party GNSS systems thus enhancing the accuracy of the outputs and improving the robustness of the solution.

This product is sold alone and in conjunction with our real time 3D sonars. We are currently expending a significant amount of our resources in developing the new generation of our motion sensors. Our newly developed suite of products will focus on expanding the market into which we sell these devices to include the AUV market which is an expanding market for our products in general.

Coda Octopus Products Limited has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

Marine Engineering Businesses ("Service Segment")

Our Marine Engineering Businesses (Coda Octopus Martech Limited (based in Portland, Dorset, England) and Coda Octopus Colmek, Inc. (based in Salt Lake City, Utah)) operate in the defense space.

We provide engineering services to a wide variety of clients in the defense markets. A significant part of these services are provided to defense contractors and are often intended for prototype productions which typically lead to long term manufacturing contracts. These arrangements often give us preferred/sole supplier status for long term manufacturing contracts, tech refresh and the obsolescence management for such customers. Our engineering capabilities are increasingly being combined with our product offerings, bringing opportunities to provide complete systems, installation and support.

Coda Octopus Martech Limited ("Martech")

Martech operates in the specialized niche of bespoke and manufacturing services mainly to the United Kingdom defense and subsea industries. Its services are provided on a custom sub-contract basis where high quality and high integrity devices are required in small quantities. Martech has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

An example of Martech's design and engineering services is the development of a ruggedized display unit in military vehicles capable of displaying variables such as wind speed, air temperature and humidity independent of the vehicle's computer.

In late 2010 Martech was awarded a significant contract to design and build two pre-production decontamination units the successors of which have been designated as part of the ground equipment for a major international military aircraft program.

The Company enjoys pre-approvals to allow it to be short-listed for certain types of government contracts. Much of the more significant business secured by Martech is through the formal government or government contractor tendering process.

Martech is a key supplier of various parts of our marine products business and has been assisting in the further development of a number of those products.

On or around October 18, 2010 our subsidiary, Coda Octopus Martech, entered into an arrangement (Company Voluntary Arrangement or (“CVA”)) under which it was agreed to re-schedule £503,335 an equivalent of \$807,000 (using an exchange rate of 1.6035) amounts to trade creditors. Under the CVA this amount was scheduled to be repaid over 4 years.

During the fiscal year 2015 Martech moved into new modern facilities comprising both office, manufacturing and research and development units. These premises are leased from its sister company, Coda Octopus Products Limited. Martech also supplies the latter business with manufacturing capacity for some of its products.

Coda Octopus Colmek, Inc. (“Colmek”)

Colmek is a service provider of defense engineering solutions, particularly in the fields of data acquisition, storage, transmission and display.

It has grown and diversified since beginning its operations in 1977 and now provides services and products to a wide range of defense, research and exploration organizations in the United States.

Colmek designs, manufactures and supports systems that are reliable and effective in multiple military and commercial applications where ruggedness and reliability under extreme operational conditions are paramount and where lives depend on accurate and precise information.

Colmek has the requisite accreditation for its business including LRQ accredited to ISO 9001:2008.

Colmek has long standing relationships with a number of prime defense contractors and has been supporting a number of defense programs for over 15 years including the (CIW) Close In Weapons Support Program (Phalanx) for which it supplies proprietary parts and services and technical refresh programs for these parts. As a result, Colmek has repeat revenues from these long standing programs.

Colmek continues to expand the number of established programs it supplies proprietary parts to. In June 2014 Colmek completed the acquisition of the Thermite® Rugged Visual computer line and the Sentiris AV1 XMC video card from Quantum 3D for a cash consideration of \$1,100,000. Colmek also acquired hardware and other intellectual property rights (such as, software code and trademarks pertaining to these products).

The Thermite® Product fits within established programs with Department of Defense (“DoD”) prime contractors and benefits from being a single source product under this program. Customers for this item include US Army, Benchmark, and iRobot’s Defense and Security Division and since acquiring this product in 2014 it has yielded revenues of approximately \$1,500,000. The Sentiris product has recently completed its first article inspection and is being developed for a DoD prime contractor.

Thermite® Rugged Visual Computers

- Rugged, graphics-based PCs designed to perform in the most brutal environmental conditions
- Focus on graphics-based high-performance computing with integrated accelerated video capture capability
- Lightweight, power efficient, conduction-cooled
- Three models, optimized for man-wearable, vehicle, and airborne platforms
- Programs include dismounted soldier training, mission rehearsal, real-time imaging, robotic control, weapon system control, C4ISR, sensor processing and display

Sentiris AV1 XMC

- FPGA-based PCI Express Mezzanine Card designed for video and graphics processing applications
- Targeted platforms include MH-47G helicopters, MH-60M Blackhawk helicopters, MC-130H Combat Talon II and CV-22 Tilt-Rotor aircraft

Stinger™ family of Rugged Small-Form-Factor PCs

The Stinger 1000 is a unique rugged computer that provides a cost effective solution for harsh mobile computing environments. Utilizing PC-104 architecture and employing creative ruggedization, Colmek has engineered a stable platform which is easily tailored to any application.

The Stinger 1000 rugged mobile computer is highly customizable, presenting an inspiring assortment of selectable attributes. The stinger mobile computer is engineered to meet military requirements. Colmek has successfully deployed Stinger products on Unmanned Aerial Systems (UAS), and shipboard for satellite-based tracking systems.

RhinoTuff™ family of Rugged Touch Screen Computers

The robust RhinoTuff™ rugged touch screen computer is built exclusively for reliable operation in the world's harshest environments. It is modular and user-definable affording maximum flexibility. This all-weather, all terrain, all-in-one PC thrives in a field where the average "tough" computer is simply not tough enough, including, mining and construction sites, oil fields, marine environments, and military battlefields.

Rugged Chassis/Enclosures

The chassis and enclosures offered by Coda Octopus Colmek are fully customizable to military/industrial needs. Colmek is a key supplier on high profile programs including Raytheon's Phalanx Close-In Weapons System (CIWS) and Northrop Grumman's airborne mine hunting sonar AN/AQS-24. We also offer a variety of enclosures technologies.

Other products offered by Colmek include subsea telemetry & data acquisition systems, rugged workstations, analog-to-digital converters and rugged LCD displays.

Sales and Marketing

We conduct worldwide sales and marketing through each company individually, with our synergies, national and international exposure sought under the management of the heads of each operation. This structure provides dedicated sales effort in each of the Group companies, and encourages cross-selling and marketing of other Group companies' products and services. Generally, our focus is on widening our market reach and on selling broader services, systems and solutions within our existing customer base.

Our marketing effort is dedicated to enhancing, reinforcing, and protecting the value of our lead in this emerging market, broadening our current product and systems-based offerings to be able to offer complete solutions. However, within that we have the following supporting marketing sub-strategies:

Product: Build on the significant lead that we have in the market for cutting edge real time 3D solutions by designing and developing the next generation of real time underwater 3D solutions in a superior form to our existing products and thereby open new markets for these solutions by having superior price, performance and customer utility at the forefront of our strategies.

Place: The use of strategic partnerships, at the higher value end of the market, particularly to provide solutions rather than product (e.g. the provision, through partnership, of a complete port security solution to a major port), and the use of existing and new sales agents to provide sales leads for lower value but very important "pure" product sales. We also work with carefully selected agents who through their local relationships or capabilities are able to market and promote our products and assist us in opening new markets for our real time 3D solutions.

Promotion: The attendance and illustration of our capabilities at trade shows, use of customer mailing, advertising and trade public relations.

Competition

Data Acquisition Products

The sonar equipment industry is fragmented with several companies occupying niche areas, and we face competition from different companies with respect to our different products. In the field of geophysical products Triton Imaging Inc., a US-based company, now part of the ECA Group (Toulon, France), Chesapeake, a US-based company, and Oceanic Imaging Consultants, Hawaii, USA, dominate the market with an estimated of 25% each of world sales, while we believe that we control approximately 10% of world-wide sales.

Motion Sensing Products

In the field of motion sensing equipment, where our product addresses a small part of the overall market, we believe that we have four principal competitors: TSS (International) Ltd in Watford, England which is focused on the mid-performance segments with about 25% of the world market; Ixsea, a French company which covers all segments, with about 20% of the market; Kongsberg Seatex, a Norwegian company (part of Kongsberg Gruppen) which has products across all segments, with about 15% of the market; and Applanix, a Canadian company, now part of Trimble which has one major product focused on the high end of the market, with about 20% of the market. We believe that our market share in the field of motion sensing equipment is only about 10%.

Real Time 3D Sonar

In the field of Real Time 3D imaging, we are unaware of other companies offering a similar product. The entry into this market is dependent upon specialized marine electronics and acoustic skills. The learning curve, which has resulted in the advancement of our real time 3D sonar device, is the culmination of two decades of research and development into this field. We are also aware of a number of high profile and substantial competitors' real time 3D projects that have failed. Over the last several years there have been lower grade sonars entering the market of 3D imaging. Companies such as Tritech International Ltd., United Kingdom, and BlueView Technologies Inc., USA (now a part of Teledyne), are examples, but none of these sonar offerings are direct comparisons or competitors in respect of our real time 3D solutions as we believe that they do not have the same capabilities as our patented Echoscope[®] technology in terms of generating real time 3D images of submerged objects and environments in low or zero visibility conditions.

We seek to compete on the basis of producing high quality products employing cutting edge technology that is easy to use by operators without specialized skills in sonar technology. We intend to continue our research and development activities to continually improve our products, seek new applications for our existing products and to develop new innovative products.

Marine Engineering Businesses

Through our marine engineering operations, Coda Octopus Colmek, Inc. and Coda Octopus Martech Limited, we are involved in custom engineering for the defense industry in the United States, and in the United Kingdom. Martech competes with larger contractors in the defense industry. Typical among these are Ultra Electronics, BAE Systems, and Thales, all of whom are also partners on various projects. In addition, the strongest competitors are often the clients themselves. Because of their size, they often have the option to proceed with a project in-house instead of outsourcing to a sub-contractor like Martech or Colmek.

Intellectual Property

Our product portfolio and technologies are protected by intellectual property rights including trademarks, copyrights and patents. We have a number of fundamental patents including a patent covering the stitching together of acoustic imagery. This covers the real time acoustic image generation element of what we do, and we believe it provides us with a competitive advantage.

Patents

Our patented inventions along with our strategy to enhance these inventions are at the heart of the Company's strategy for growth and development.

Our patent portfolio consists of the following:

Patent Number	Description
US Patent No. 6,438,071	Concerns the “Method for Producing a 3-D Image” and is also recorded in the European Patents Register #EP 1097393 B1; Australia #55375/99 and Norway #307014. This patent relates to the method for producing a 3D image of a submerged object, e.g. a shipwreck or the sea bottom.
US Patent No. 6,532,192	Concerns “Subsea Positioning System and Apparatus”
US Patent No. 7,466,628	Concerns a “Method of constructing mathematical representations of objects from reflected sonar signals.”
US Patent No. 7,489, 592	Concerns a “Method of automatically performing a patch test for a sonar system, where data from a plurality of overlapping 3D sonar scans of a surface, as the platform is moved, are used to compensate for biases in mounting the sonar system on the platform”.
US Patent No. 7,898,902	Concerns a “method of representation of sonar images” allowing sonar three dimensional data to be represented by a two dimensional image.
US Patent No. 8,059,486	Concerns a method of rendering volume representation of sonar images.
US Patent No. 8,854,920	Concerns a method of volumetric rendering of three dimensional sonar data sets
US Patent No. 9,019,795	Method of object tracking using sonar imaging

Trademarks

We own the following registered trademarks: Coda®, Octopus®, CodaOctopus®, Octopus & Design®, F180®, Echoscope®, Survey Engine®, Dimension®, DAseries®, Sentiris® and Thermite®; CodaOctopus® Vantage; CodaOctopus® UIS; and CodaOctopus® USE.

We also use the following trademarks: F170™, F175™, F190™, UIS™ TEAM™ and TEAM+™. In addition, we have registered a number of internet domain names.

Government Regulation

Because of the nature of some of our products, they may be subject to United States and other jurisdictions’ export control regimes and may be exported outside these jurisdictions only with the required level of export license or through an export license exception or general export authorization / license.

In addition, as a provider for the US Government, we may be subject to numerous laws and regulations relating to the award, administration and performance of US Government contracts, including the False Claims Act. Non-compliance found by any one agency could result in fines, penalties, debarment, or suspension from receiving additional contracts with all US Government agencies. Given our dependence on US Government business, suspension or debarment could have a material adverse effect on our business and results of operations.

Employees

As of the date hereof, we employ worldwide 87 people, of which 11 hold management positions. A large majority of our employees have a background in science, technology and engineering, with a substantial part being educated to degree and PhD level. None of our employees are members of any union, and we have not experienced organized labor difficulties in the past.

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES

Lakeland, Florida

Our corporate offices, which co-locate with our wholly owned subsidiary, Coda Octopus Products, Inc., are located in Lakeland Florida. In 2012, the Company acquired this property consisting of 3 unified condominium units with office space and warehouse/storage and testing facilities totaling 4,154 square feet.

Orlando, Florida

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 or seconded from other parts of our Organization to our Florida Office to assist with R&D

projects and/or who attend offices in Lakeland from time to time to provide training or demonstration of our products.

Salt Lake City, Utah

On March 21, 2015 Coda Octopus Colmek completed the purchase of new office, production and R&D Facilities comprising 16,000 square feet in Salt Lake City, Utah for \$1,200,000 in cash. These premises were further customized for Colmek's use at a cost of approximately \$300,000.

Edinburgh, Scotland

Offices

Our wholly owned United Kingdom subsidiary, Coda Octopus Products Ltd, leases office space 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 lease for these premises expires 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).

R & D Test Facilities

The Company owns a R&D test facility in Edinburgh, Scotland. These premises comprise 917 square feet and are located immediately adjacent to this business' principal place of business. The premises were acquired on February 6, 2015 for a purchase price of £130,000 (equivalent to \$199,318) and have been equipped with an acoustic test tank for the development and testing of our products and are also utilized for our training activities.

Production and Repair Services Facilities

In keeping with its strategy to develop its own core patented flagship technology (its Real Time 3D Sonar Technology), Coda Octopus Products Ltd is leasing manufacturing and service facilities in Edinburgh comprising 2,450 square feet and located a few hundred yards from the Company's corporate offices at Anderson House. These new facilities have been equipped with a test tank and will be used to manufacture and service our Echoscope[®] products. Our flagship product is produced at this newly leased facility. The lease expires September 1, 2018. 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

Martech leases premises owned by Coda Octopus Products Limited. These premises are located in the Marine Center in Portland, Dorset, United Kingdom, and comprise 9,890 square feet that were acquired by Coda Octopus Products Limited in September 2013. The building comprises both office space and manufacturing and testing facilities. The lease, which is for a period of 5 years, provides for an annual rent of the equivalent of \$51,000 (the rent is stated in British Pounds and is therefore subject to exchange rate fluctuations). These premises give easy access to marine facilities such as testing vessels etc.

Bergen, Norway

Our wholly owned Norwegian subsidiary, Coda Octopus R&D AS, leases 2,370 square feet of office space 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 have served notice to surrender the lease for this facility, effective November 2016.

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 and we are seeking to find more appropriately sized facilities in Bergen, Norway, where we still carry on part of our Research and Development works for our core technology.

All non-US Dollar denominated rents are stated according to prevailing exchange rates as of the date of each respective lease agreement.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the OTCQB under the symbol "CDOC". The following table sets forth the range of high and low bid prices of our common stock as reported and summarized on the OTCQB or OTCQX, as applicable, for the periods indicated. These prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

Year Ended October 31, 2016	HIGH	LOW
First Quarter	\$ 0.11	\$ 0.09
Second Quarter	\$ 0.11	\$ 0.08
Third Quarter	\$ 0.20	\$ 0.084

Year Ended October 31, 2015	HIGH	LOW
First Quarter	\$ 0.08	\$ 0.05
Second Quarter	\$ 0.07	\$ 0.06
Third Quarter	\$ 0.12	\$ 0.06
Fourth Quarter	\$ 0.10	\$ 0.07

Year Ending October 31, 2014	HIGH	LOW
First Quarter	\$ 0.07	\$ 0.09
Second Quarter	\$ 0.07	\$ 0.06
Third Quarter	\$ 0.12	\$ 0.06
Fourth Quarter	\$ 0.10	\$ 0.07

We have not declared or paid any cash dividends on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, operating results, capital requirements and other factors that the board of directors considers significant. As of August 12, 2016, we had 292 stockholders of record and there were 127,078,395 shares of common stock outstanding.

Recent Sales of Unregistered Securities

On March 5, 2013, the Company issued 4,021,280 shares to CCM LLC in full and final satisfaction of an amount of \$571,036 (which formed part of a series of small loans which CCM had made available as working capital to the business in March 2011) and in consideration for postponing a portion of the interest payments due.

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 shares of Series C Preferred Stock each have a nominal value of \$0.001 and a stated value of \$1,000. The Certificate of Designation for the Series C Preferred Stock does not provide for dividends or voting rights. The 6,087 units of Series A Preferred Stock were surrendered and cancelled by the Company.

On October 26, 2015 the Company issued 100,000 shares of common stock to one of its directors, Robert Ethrington, in accordance with the terms of his election 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 was subsequently eliminated and Series B Preferred Stock as a class was also eliminated.

On March 1, 2016 the Company issued 32,346,682 shares of common stock to the Senior Convertible Debenture Holder, CCM LLC, in payment of \$3,558,136 which represented the terminal conversion premium outstanding on the said Senior Convertible Debentures.

During May, June and August 2016, the Company issued 100,000 to each of five members of the Board of Directors for their services performed as directors.

In June 2016, the Company issued an aggregate of 112,500 shares valued at \$0.093 per share to two individuals for services rendered.

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.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OPERATIONS

Forward-Looking Statements

The information herein contains forward-looking statements. All statements other than statements of historical fact made herein are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," "anticipates," "projects," "expects," "may," "will," or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

General Overview

Preliminary Note

This annual report relates to the fiscal year ended October 31, 2010. Nevertheless, information included in this General Overview is current as of the date of filing of this annual report.

Coda Octopus Group, Inc. ("Coda," "the Company," or "we") designs and manufactures patented real time 3D sonar solutions and other leading products for sale to the subsea, defense, mining and marine sciences markets, among others. In addition, we supply marine engineering business services to prime defense contractors.

We operate through two operating business segments: Marine Technology Business ("Products" segment) and Marine Engineering Business ("Services" segment). Our products are used primarily in the underwater construction market, offshore oil and gas and wind energy industry, and in the complex dredging, port security, mining and marine sciences sectors. Our customers include service providers to major oil and gas companies, law enforcement agencies, ports, mining companies, defense companies and universities.

We supply our marine engineering business services mainly to prime defense contractors. We have been supporting some significant defense programs for over 20 years, including the CIWS (Close In Weapon Support) program that enables us to supply and maintain proprietary parts through obsolescence management programs.

Historically, the Marine Technology Business generated approximately 70% of our revenues. In the last two fiscal years the Marine Technology Business has generated closer to 50% of our overall revenues, with the Marine Engineering Business growing at a faster pace. The slower growth of revenues generated by our Products Segment is largely due to the contraction in the oil and gas (O&G) industry. Due to the effort by O&G companies to restructure their O&G operations, the climate in which we sell is fiercely competitive. As a result, we often have to offer customers greater discount on our sales. Consequently, gross profit margins for our Products Segment have weakened.

Nevertheless, we continue to believe that our unique and patented real time 3D solutions, which allow users to have real time (instantaneous) 3D images of their underwater environment even where there is low or zero visibility conditions, is a significant advancement on the current technology available in the subsea sonar market. Because of its real time capability providing volumetric data of underwater target (including the seabed), this technology reduces the operational costs to users as it does not rely on processing of the underwater data after collection as this is provided in real time, similar to a camera. Many of our customers are reporting significant efficiency gains and therefore cost savings. Furthermore, because the technology provides real time image of the underwater environment of the user, it enhances safety significantly. Many subsea tasks currently performed have limitations due to physical constraints and safety reasons. The technology is therefore used for many tasks that traditionally would be performed by divers and, in some instances, the technology is used as an aid to the diver. This results in significant costs reduction for our customers. In addition, our real time 3D solution is one of two preferred solutions for subsea asset placements (such as Accropodes™, mattress placements, block placements and the like). Due to the decline in the price of oil, many O&G companies are seeking cost effective solutions for their operations. We believe that our real time 3D solution has the potential to revolutionize the technology used in underwater operations particularly where real time visualization is required or zero or low visibility conditions prevail.

In recent years we have made good progress in getting our core real time 3D technology, the Echoscope[®], adopted by a significant number of ports in the USA (the CodaOctopus Underwater Inspection System – which integrates our Echoscope, motion sensing product and hydrographic pole) where it is used for port and harbor security. However, until recently we had not managed to replicate this success with foreign ports. In 2015 we secured the first sale of our Underwater Inspection System to a foreign port in Asia and we expect to sell a number of systems to this port for the next three years.

We have also made progress in expanding the markets (and applications) into which we sell our real time 3D Sonars. Recently, we have sold a number of systems to mining companies. Increasingly, our customers involved in energy and renewables are adopting the technology as the primary tool for scour management, subsea cable installation and associated cable protection tasks.

In addition, in recent years we have started to rent our real time 3D solutions with engineering services. Given the contraction in the O&G market, rental is increasingly becoming an important part of the composition of the Company's revenues.

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

The Group's business is subject to influence from a number of factors including:

- a. the price of commodities, in particular 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 impact of the United Kingdom decision to terminate its current membership of the European Union;
- e. A significant percentage of the Company revenues are generated by the Company's subsidiaries in the United Kingdom. The decline of the value of sterling is likely to impact our overall revenues which are reported in USD.
- f. In the event that the United Kingdom does not secure access to the European Union Single Market, this is likely to directly impact our cost basis as currently we do not pay export duty on products that we sell to customers in the Single Market;
- g. Global-political uncertainties affecting the markets into which we sell our goods and services; and
- h. the general global economic environment.

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.

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

On June 23, 2016, the United Kingdom voted to exit the European Union. This resulted in significant currency exchange rate fluctuations and volatility in global stock markets. The British government is expected to commence negotiations to determine the terms of Brexit. The United Kingdom's separation could, among other things, disrupt trade and the free movement of goods, services and people between the United Kingdom and the European Union or other countries as well as create legal and global economic uncertainty. Currencies could remain volatile for the foreseeable future.

We have already suffered adverse currency movements affecting our UK Businesses subsequent to the reporting period as a result of Brexit. Given the lack of comparable precedent, the implications of Brexit or how such implications might affect the Company in the medium to long term are unclear.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements that have been prepared under accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with US GAAP requires our management to make estimates and assumptions that affect the reported values of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported levels of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Below is a discussion of accounting policies that we consider critical to an understanding of our financial condition and operating results and that may require complex judgment in their application or require estimates about matters which are inherently uncertain. A discussion of our significant accounting policies, including further discussion of the accounting policies described below, can be found in Note 1, "Summary of Significant Accounting Policies" of our Consolidated Financial Statements.

Revenue Recognition

We record revenue in accordance FASB ASC Topic 605 - Revenue Recognition.

Revenue is derived from our products sold by our subsidiaries, Coda Octopus Products Inc. and Coda Octopus Products Ltd., from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications. Revenue is also derived through service contracts gained by our Martech and Colmek businesses. In 2014 we opened a sales office in Australia, under the name Coda Octopus Products Pty Limited.

Revenue is recognized when conclusive evidence of firm arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the fair value of each deliverable in accordance with ASC 605, and recognize revenue for equipment upon delivery and for installation and other services as performed. ASC 605 was effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003.

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

Revenues derived from our software license sales are recognized in accordance with FASB ASC Topic 985 - Software. 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 an arrangement, (2) collection of our fee is considered probable and (3) the fee is fixed and determinable.

Recoverability of Deferred Costs

We defer costs on projects for service revenue. Deferred costs consist primarily of direct and incremental costs to customize and install systems, as defined in individual customer contracts, including costs to acquire hardware and software from third parties and payroll costs for our employees and other third parties.

We recognize such costs in accordance with our revenue recognition policy by contract. For revenue recognized under the completed contract method, costs are deferred until the products are delivered, or upon completion of services or, where applicable, customer acceptance. For revenue recognized under the percentage of completion method, costs are recognized as products are delivered or services are provided in accordance with the percentage of completion calculation. For revenue recognized ratably over the term of the contract, costs are recognized ratably over the term of the contract, commencing on the date of revenue recognition. At each balance sheet date, we review deferred costs, to ensure they are ultimately recoverable. Any anticipated losses on uncompleted contracts are recognized when evidence indicates the estimated total cost of a contract exceeds its estimated total revenue.

Stock Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC Topic 718 "Compensation - Stock Compensation" ("ASC 718"). Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award. This value is expensed ratably over the vesting period for time-based awards and when the achievement of performance goals is probable in our opinion for performance-based awards. Determining the fair value of share-based awards at the grant date requires judgment; including volatility, terms, and estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock based compensation expense and the Company's results of operations could be materially impacted.

Income Taxes

Deferred income taxes are provided using the asset and liability method for financial reporting purposes in accordance with the provisions of FASB ASC 740 - Income Taxes. Under this method, deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

Purchase price allocation and impairment of intangible and long-lived assets

Intangible and long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset, and its eventual disposition. Measurement of an impairment loss for intangible and long-lived assets that management expects to hold and use is based on the fair value of the asset as estimated using a discounted cash flow model.

We measure the carrying value of goodwill recorded in connection with the acquisitions for potential impairment in accordance with ASC 350 - Intangibles - Goodwill and Other. To apply ASC 350, a company is divided into separate "reporting units", each representing groups of products that are separately managed. For this purpose, we have one reporting unit. To determine whether or not goodwill may be impaired, a test is required at least annually, and more often when there is a change in circumstances that could result in an impairment of goodwill. If the market capitalization of our common stock is below book carrying value for a sustained period, or if other negative trends occur in our results of operations, a goodwill impairment test will be performed by comparing book value to estimated market value. To the extent goodwill is determined to be impaired an impairment charge is recorded in accordance with ASC 350.

Results of Operations

General

Cash Framework Agreement

On March 16, 2009 the Company entered a "Cash Control Framework Agreement" with the holder of the Company's Senior Secured Debentures, under which the Company obtained working capital secured by invoices. This facility provided a debtor book financing package to allow the Company to obtain up to \$2.15 in working capital against the security in and/or over the receivables. The Parties agreed to terminate this agreement in March 2011.

Reorganization

As part of the Company's cost cutting and reorganization efforts, during fiscal 2009, the Company's replaced its management, including the President and CEO, the SVPs, and the Board of Directors.

On or around October 18, 2010 our subsidiary, Coda Octopus Martech, entered into an arrangement (Company Voluntary Arrangement or CVA) under which it was agreed to re-schedule £503,335 (an equivalent of \$807,000 using an exchange rate of 1.6035) amounts to trade creditors. Under the CVA this amount was scheduled to be repaid over 4 years.

In the fiscal year 2016 the Company relocated its production of its flagship patented product, the Echoscope[®], from Bergen, Norway to new production facilities in Edinburgh, UK.

See Note 16 of the Consolidated Financial Statement for more current information on the CVA.

Comparison of fiscal year ended October 31, 2010, compared to fiscal year ended October 31, 2009.

For the purpose of this report, the 2010 Period means November 1, 2009 through to and including October 31, 2010 and the 2009 Period means November 1, 2008 through to and including October 31, 2009

Revenue Total revenues for the 2010 and 2009 were \$11,509,933 and \$13,224,435 respectively, representing a decrease of 13.0%. A significant factor in the decline of our revenues during the 2010 period was the general downturn in the global economy which directly impacted on our sales in both the contracting and products segments.

Gross Margins Margins were weaker in the 2010 period at 46.3% (gross profit of \$5,334,300) compared to 52.2% (\$6,908,474) in the 2009 period, reflecting a different mix of sales in our businesses (Products Segment versus Contracting Segment). The downturn in global economy resulted in fall in revenues which also impacted on gross margins.

Research and Development (R&D) R&D expenditures decreased by 33.6% from \$2,652,713 in the 2009 period to \$1,762,035 in the 2010 period. The reduction is a reflection in the continued implementation of restructuring of the Group by containing and reducing costs across the Group, which largely involved reduction in headcount and termination of consultancy arrangements across the Group.

Selling, General and Administrative Expenses (SG&A). SG&A expenses for the 2010 period decreased to \$6,382,598 from \$10,996,833 for the 2009 period, a reduction of 42% reflecting the activities under the cost reduction plan that was executed during the 2009 and 2010 periods. The reduction is a reflection in the continued implementation of restructuring of the Group by containing and reducing costs across the Group, which largely involved reduction in headcount and termination of consultancy arrangements across the Group.

A breakdown of corporate (HQ) SG&A is in the table below:

	<u>2010</u>	<u>2009</u>
Rent and utilities	\$ 108,249	\$ 211,550
Office expenses	47,169	176,816
Payroll	311,516	1,773,265
Insurance	123,396	241,872
Professional	723,810	3,106,217
Forex	2,275	41,511
Marketing	1,559	320,330
Travel	84,508	203,834
Sale of asset	-	1,096
	<u>1,402,482</u>	<u>6,076,491</u>
Total Corp SG&A		
Depreciation, impairment and amortization	1,302,352	279,821
Stock based compensation	51,771	226,710

Key areas of 2010 period expenditure include:

- wages and salaries, where we spent \$3,807,884 or 49.8% of our SG&A costs during the 2010 period against \$6,835,266 or 60.8% of our SG&A cost during the 2009 period;
- legal and professional fees, including accounting, audit and investment banking services, where we spent \$853,955 or 11.2% in the 2010 period of our SG&A costs against \$3,293,878 or 29.3% of our SG&A costs in the 2009 period;
- travel costs where we spent \$295,109 or 3.9% of our SG&A costs in 2010 against \$476,677 or 4.2% of our SG&A costs in the 2009 period,
- rent for our various locations decreased in the 2010 Period to \$470,343 or 6.1% of our SG&A costs against \$715,910 or 6.4% of our SG&A costs during the 2009 period; and
- marketing costs where we spent \$212,084 or 2.8% of our SG&A costs during the 2010 Period against \$522,576 or 4.6% of our SG&A costs during the 2009 period.

Amortization of deferred financing cost

In connection with the secured convertible debenture, see Note 13, we carried \$1,271,170 in deferred financing costs as an asset on our consolidated balance sheet at 2009. During the 2010 period, management took the view that this asset was impaired and wrote down this amount in full.

Stock Based Compensation Expense

This category of expenditure reduced by \$174,939 in the 2010 period which reflects the reduction in stock and stock options issued and/or vested in the 2010 period.

Operating Loss

We incurred a loss from operations of \$2,810,333 in the 2010 period against \$6,741,072 in the 2009 period. This decrease of 58.3% of the operating loss is attributable to the Cost Cutting Program we embarked on from February 2009.

Interest Expense

Interest expense increased by 8.6% in the 2010 period to \$2,005,836 from the 2009 period interest expense, which were \$1,846,883. In both years, we have included amortization of the 30% redemption premium for the senior secured our convertible notes, at a cost of \$514,285 for both the 2010 period and the 2009 period.

Other Income

This category of income was \$1,751,477 in the 2010 period as compared to \$201,748 in the 2009 period. This increase in this category of income is largely due to reversal of accruals that had been made for pending claims and/or litigation expense and provisions and for which lower amounts were paid.

Dividends

In the 2010 period, no dividends were declared on the outstanding Series A Preferred stock as the Company's Board of Directors resolved that it would not be appropriate under Delaware law. In the 2009 Period, dividends totaled \$47,382 for the year. Since then, the Series A Preferred stocks have been exchanged for a newly created class, Series C which has no voting or dividend rights.

Net Loss

In the 2010 period, we realized a net loss of \$1,778,316 as compared to a net loss of \$9,480,520. The reduction in net loss in the 2010 period is a reflection of the ongoing restructuring program under which an extensive cost containment and reduction program was implemented, mainly in the categories of head count and HQ costs.

Financial Instruments Measured at Fair Value

FASB ASC Topic 820 - Fair Value Measurements and Disclosures ("ASC 820") defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we considered the principal or most advantageous market in which we would transact and considered assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Items recorded or measured at fair value on a recurring basis in our accompanying financial statements consisted of the following items as of October 31, 2010:

	Total	Quoted Prices in Active Markets for Identical Instruments Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Restricted cash	\$ 827,266	\$ 827,266	\$ -	\$ -
Short term investment	\$ 14,875	\$ 14,875	\$ -	\$ -
Total	<u>\$ 842,141</u>	<u>\$ 842,141</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Warrant liability	\$ 473,384	\$ -	\$ -	\$ 473,384
Loans and notes payable	\$ 14,583,866	\$ -	\$ 14,583,866	\$ -
Total	<u>\$ 15,057,250</u>	<u>\$ -</u>	<u>\$ 14,583,866</u>	<u>\$ 473,384</u>

With the exception of assets and liabilities included within the scope of FASB ASC Topic 820-10-15, we adopted the provisions of ASC 820 prospectively effective as of the beginning of the 2008 Period. For financial assets and liabilities included within the scope of ASC 820-10-15, we will be required to adopt the provisions of ASC 820 prospectively as of the beginning of Fiscal 2009. The adoption of ASC 820 did not have a material impact on our financial position or results of operations, and we do not believe that the adoption of ASC 820-10-15 will have a material impact on our financial position or results of operations.

The fair value of the assets, short term investments, at October 31, 2009 was grouped as Level 1 valuation as the market price was readily available, and there has been no change to the fair value of the securities at October 31, 2010.

Loans and notes payable is recorded at face amount, which approximates fair value.

Liquidity and Capital Resources

The Company's consolidated financial statements have been prepared assuming it will continue as a going concern. For the fiscal year ended October 31, 2010, the Company had an accumulated deficit of \$59,285,833, negative working capital of \$16,912,615, stockholders' deficit of \$13,036,649 and generated a deficit in cash flow from operations of \$256,415 in the 2010 period. The Company has been dependent upon the ability to generate revenue from the sale of its products and services and the discretion of the note holder to release cash to cover operations under the Cash Control Framework Agreement. This facility provided a debtor book financing package to allow the Company to obtain up to \$2.15m in working capital against the security in and/or over the receivables. This agreement was terminated in March 2011.

Inflation and Foreign Currency

The Company maintains its books in local currency: US Dollars for its US operations, Pounds Sterling and Norwegian Kroner for its United Kingdom and Norwegian operations and, since 2014, Australian Dollars for its Australian operations, respectively.

For the fiscal year ended 2010 the Company's operations were conducted almost equally inside the United States and outside the United States through its wholly-owned subsidiaries. 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. In addition, we are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. Although the Company cannot predict the extent to which currency fluctuations may 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. Because differing portions of our revenues and costs are denominated in foreign currency, movements could impact our margins by, for example, decreasing our foreign revenues when the dollar strengthens and not correspondingly decreasing our expenses. The Company does not currently hedge its currency exposure. In the future, we may engage in hedging transactions to mitigate foreign exchange risk.

The translation of the Company's UK operations' pound sterling denominated balance sheets into US dollars has not been significantly affected by changes in the average value of the US dollar against the British pound sterling. The average exchange rate during the 2010 Period was \$1.56 USD to the GBP against \$1.54 during the 2009 Period – an appreciation in value of 1.3%.

The translation of the Company's Norwegian operation's Norwegian Kroner (NOK) denominated balance sheets into US dollars, as of October 31, 2010, has been affected by the currency fluctuations of the US dollar against the NOK from an average rate of \$0.186 during the 2009 Period, to \$0.167 during the 2010 Period; an approximate 11% depreciation of value. These are the values that have been used in the calculations below.

The impact of these currency fluctuations on the 2010 Period is shown below:

	Pound Sterling		Norwegian Kroner		Total Effect
	Actual Results	Constant Rates	Actual Results	Constant Rates	
Revenues	\$ 6,434,976	\$ 6,368,479	\$ 1,837	\$ 2,046	\$ (66,288)
Costs	8,047,815	7,964,651	798,865	889,551	7,522
Net losses	(1,612,839)	(1,596,172)	(800,702)	(891,597)	(74,228)
Assets	6,969,080	6,417,123	56,388	62,004	(546,341)
Liabilities	3,704,044	3,557,360	365,085	401,446	(110,323)
Net assets	3,265,036	2,859,763	(308,697)	(339,441)	(436,017)

This table shows that the effect of constant exchange rates, versus the actual exchange rate fluctuations, increased losses for the year by \$74,228 and decreased net assets by \$436,017. In addition, the Company booked transactional exchange rate gains of \$449,648 during the 2010 period. All of these amounts are material to our overall financial results.

As a result of the decision by British voters to leave the European Union, we expect economic uncertainty to increase until the negotiations for the British exit have been completed and the relationship between the UK and the EU has been solidified. This uncertainty will most likely have a profound effect on the value of the British Pound. Since approximately 50% of our revenues are generated in that currency, we expect our revenues to be greatly impacted by the resulting currency fluctuations. We also expect our direct costs of sales for components sourced outside of the UK to increase.

Operating Activities

Net cash used in operating activities for the year ended October 31, 2010 was \$256,415. We recorded a net loss for the period of \$1,778,316. Other items in uses of funds from operations included non-cash charges related to depreciation and amortization, stock based compensation, non-cash interest expense, change in fair value of warrant liability, gain on settlement of payables, bad debt, loss on disposal of equipment, and impairment of goodwill, which collectively totaled (\$396,719). Decrease in operating assets increased net cash from operating activities by \$1,416,521 and increases in operating liabilities increased net cash from operating activities by \$502,099.

Investing Activities

Net cash provided by investing activities for the year ended October 31, 2010 was \$232,140 due to changes in restricted cash and the sale of fixed assets and marketable securities.

Financing Activities

Net cash provided by financing activities for the year ended October 31, 2010 was \$246,319 as a result of proceeds from working capital loans.

Financing Activities

Equity Offerings

The Company has financed its activities primarily with cash generated from operations and through the issuance of equity securities. From 2006 through 2008, it has raised approximately \$24 million through various private equity offerings.

Secured Convertible Debentures

On February 21, 2008 we issued to a London based institutional investor freely transferrable senior secured convertible notes in the principal amount of \$12,000,000 (the "Notes"). The Notes are secured by all of the assets of the Company and its subsidiaries and initially matured 84 months after the date of issuance at which time they were redeemable at 130% of the face amount of the Notes. The Notes accrue interest at the annual rate of 8.5%, payable in cash in semi-annually in arrears. The Notes are convertible into our common stock at the option of the Noteholders at a conversion price of \$1.05. Since its issuance, the Notes have been subject to a number of renegotiations and extensions of payment due dates. The Company recently restructured the Notes as follows:

- The maturity date of the Notes was extended to November 1, 2017;
- The Company will reduce the principal amount outstanding under the Notes by \$2,000,000 payable in 10 equal monthly payments commencing March 31, 2016;
- On March 1, 2016, the Company issued 32,346,682 shares of its common stock in extinguishment of \$3,558,136 (representing the redemption premium) due under the Notes at an effective price per share of \$0.11; and
- The Company has agreed to start filing reports under the Securities Exchange Act of 1934 before March 1, 2017.

As of October 31, 2015, the principal balance plus accrued interest and accrued conversion premium under the Notes was \$14,940,258. As a result of the restructuring, as of April 30, 2016, the total balance outstanding under the Notes had been reduced to \$11,180,706. This amount includes principal and interest.

The Notes are currently held by CCM, LLC, an entity which controls approximately 22.5% of the issued and outstanding common stock of the Company.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

Inflation

The effect of inflation on the Company's operating results was not significant.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index of Financial statements following Part III of this Report for a listing of the Company's financial statements and notes thereto.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and then Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of October 31, 2010. Based upon that evaluation and the identification of the material weakness in the Company's internal control over financial reporting as described below under "Management's Report on Internal Control over Financial Reporting," the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were ineffective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed by, or under the supervision of, a public company's principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP") including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management, with the participation of our Chief Executive Officer and Group Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of October 31, 2010. In making this assessment, our management used the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During this evaluation, the Company identified a material weakness in its internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weakness consists of, as of the end of the period covered by this report, limited financial resources, limited number of employees, namely an understaffed financial and accounting function, and the need for additional personnel to prepare and analyze financial information in a timely manner and to allow review and on-going monitoring and enhancement of our controls.

Based on our assessment and the criteria discussed above, the Company has concluded that, as of October 31, 2010, the Company's internal control over financial reporting was not effective as a result of the aforementioned material weakness.

Notwithstanding the material weakness in the Company's internal control over financial reporting and the Company's consequently ineffective disclosure controls and procedures discussed above, management believes that the financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with the U. S. generally accepted accounting principles.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Plan for Remediation of Material Weaknesses

We plan to improve our control environment and to remedy the identified material weakness by expanding the resources available to the financial reporting process. These ongoing efforts are to include: (i) evaluating and improving our existing internal control documentation to develop clear identification of key financial and reporting controls; (ii) reviewing our accounting process; and, (iii) reviewing our control procedures with the aim of in developing on-going test plans to assure compliance and enhancement as needed to existing controls. A principal reason for the identified weakness is our lack of financial resources. We believe that once we identify adequate funding, we will be able to remedy the material weakness.

Limitations on Effectiveness of Controls and Procedures

Even when additional financial resources become available, our management does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management overriding the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended October 31, 2010 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following persons are the executive officers and directors as of the date hereof:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael Hamilton	69	Chairman
Annmarie Gayle	49	Chief Executive Officer and Director
Michael Midgley	64	Acting Chief Financial Officer, Chief Executive Officer of Coda Octopus Colmek, Inc. and Director
Blair Cunningham	47	President of Technology and Chief Executive Officer of Coda Octopus Products Inc. and Director
Geoff Turner	64	Deputy Chief Executive Officer and Director
Robert Ethrington	71	Director
Francis Rogers	73	Director

Michael Hamilton has been our Chairman of the Board since June 2010. Since 2014, Mr. Hamilton has provided accounting and valuation services for a varied list of clients. He was Senior Vice President of Powerlink Transmission Company from 2011 through 2014. From 1988 to 2003, he was an audit partner at PriceWaterhouseCoopers. He holds a Bachelor of Science in Accounting from St. Frances College and is a certified public accountant and is accredited in business valuation. Because of Mr. Hamilton's background in auditing, strategic corporate finance solutions, financial management and financial reporting, we believe that he is highly qualified to act as the Company's Chairman.

Annmarie Gayle has been our Chief Executive Officer and a member of the Board of Directors since 2011. Prior thereto, she spent two years assisting with the restructuring of our Company. She previously served with the Company as Senior Vice President of Legal Affairs between 2006 and 2007. Earlier in her career she worked for a major London law practice, the United Nations and the European Union. Ms. Gayle has a strong background in restructuring and has spent more than 12 years in a number of countries where she has been the lead adviser to a number of transitional administrations on privatizing banks and reforming state owned assets in the CEE countries including banking, infrastructure, mining and telecommunications assets. Ms. Gayle has also managed a number of large European Union funded projects. Ms. Gayle holds a Law degree gained at the University of London and a Masters of Law degree from Cambridge University. She is qualified to practice as a solicitor in England & Wales. Because of her wealth of experience in corporate governance, large scale project management, restructuring, strategy, structuring and managing corporate transactions, we believe that she is highly qualified to act as our Chief Executive Officer.

Michael Midgley has been our acting Chief Financial Officer since 2013. He has also been Chief Executive Officer of Colmek since 2010, which he joined in 2008. He is a qualified CPA and has had his own practice as well as working for regional accounting firms, specializing in SEC and Tax practice areas. Mr. Midgley attended the University of Utah. Due to Mr. Midgley's expertise in financial reporting, we believe that he is highly qualified to serve as the Company's Chief Financial Officer and as a member of the Board of Directors.

Blair Cunningham has been with the Company since July 2004 and has had a number of roles including President of Technology and CEO of Coda Octopus Products, Inc. (current position), Chief Technology Officer and Head of R& D Operations of Coda Octopus Group, Inc. since 2005 and Technical Manager of Coda Octopus Products Ltd between July 2004 and July 2005. From March 1992 to present he has served as a Director of Softworks Business Systems Solutions Ltd, an Aberdeen, Scotland, based software company which developed turnkey software solutions for large public companies. From 1990-92, Mr. Cunningham was an Analyst/Programmer with an Aberdeen company (now defunct). Mr. Cunningham received an HND in Computer Science in 1989 from Moray College of Further Education, Elgin, Scotland. Because of Mr. Cunningham's expertise in technology, the Company believes that he is highly qualified to serve in his current roles.

Geoff Turner has been a director since 2011. He has been with the Company since May 2006 and during that time has had a number of roles including Senior Vice President, Mergers and Acquisitions of Coda Octopus Group, Inc. and President European Operations. From September 2009 to 2011, he acted as the Company's Chief Executive Officer. He acted as interim Chief Financial Officer from January 2010 to March 2011. Previously, he served as a consultant from November 2005 to April 2006 through his consultancy company Taktos Limited. He has been involved in the IT industry for over 30 years, in both technical and commercial roles. He spent the 13 years up to 1999 with GE Information Services (& International Network Services), the then global market leader in Electronic Commerce, where he was Director of Business Development for Europe, Middle East and Africa. During this time, in addition to his business development roles he held posts as Software Products Director, and in global channel sales management. Since leaving GE in 1999, Mr. Turner has been involved as a shareholder and a consultant through Taktos Limited in a number of businesses ranging from financial services businesses to a provider of supply chain management software. Because of Mr. Turner's expertise in IT and business development, the Company believes that he is highly qualified to act as a member of the Board of Directors.

Robert Ethrington has been a member of our Board of Directors since 2013. Since 1989, Mr. Ethrington has been a director of Resanco Ltd., a UK based consultancy firm specializing in competitive strategy and corporate restructuring services that operates in both developed world countries and in developing countries of Asia and Africa and economies of the former Soviet Union. He has also been a director of Resendjer srl, a Moldova based manufacturer of essential oils, since 2001. Mr. Ethrington earned a Bachelors' of Arts Degree from Leeds University and an MBA from Cranfield University. Because he is a strategic and financial expert with forty years of experience in the fields of corporate restructuring in both the private and public sectors, we believe that he is highly qualified to serve as a member of our Board of Directors.

Chuck (Francis) Rogers has been a member of our Board of Directors since July 2016. Since 2014, he has been affiliated with Score and KMDR, LLC, a California based financial and business consultancy firm. Mr. Rogers was President and Chief Executive Officer of three diverse businesses from 1998 to 2014; the most significant was the ASC Group, Inc., an electronics systems integrator serving the defense and aerospace market worldwide. He holds a B.S. in Ceramic Engineering from Alfred University and an MA in Economics and Finance from St. Mary's University. Because of his experience in running large companies and financial expertise, we believe that Mr. Rogers is highly qualified to be a member of our Board of Directors.

Employment Agreements

Anmarie Gayle

The functions performed by Anmarie Gayle are provided through Pemanaco Limited, a corporation incorporated in England and Wales ("Pemanaco") and wholly owned by Ms. Gayle. Under the terms of a Consultancy Agreement, dated June 15, 2013, Pemanaco is making Ms. Gayle available to the Company to act as its Chief Executive Officer on a full-time basis and a member of its Board of Directors. The annual fees due under the Agreement are \$230,000 payable in monthly installments. Ms. Gayle is also entitled to an annual performance bonus of \$100,000, upon achieving certain targets that are to be defined on an annual basis. The agreement provides for 30 days of paid holidays in addition to public holidays observed in England and Wales.

The agreement may be terminated only upon twelve month prior written notice without cause. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes a 12-month non-compete and non-solicitation provision.

Geoff Turner

The functions performed by Geoff Turner are provided through Taktos Limited, a United Kingdom corporation ("Taktos") wholly owned by Mr. Turner. Under the terms of a Consultancy Agreement, dated June 15, 2013, Taktos is making Mr. Turner available to the Company to act as its Deputy Chief Executive Officer on a full-time basis and a member of its Board of Directors. The annual fees due under the Agreement are \$156,000 payable in monthly installments. Mr. Turner is also entitled to an annual performance bonus upon achieving certain targets that are to be defined on an annual basis. The agreement provides for 30 days of paid holidays in addition to public holidays observed in England and Wales.

The agreement may be terminated only upon twelve month prior written notice without cause. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes a 12-month non-compete and non-solicitation provision.

Blair Cunningham

Under the terms of an employment contract dated January 1, 2013, our wholly owned subsidiary Coda Octopus Products, Inc. employs Blair Cunningham as its Chief Executive Officer and President of Technology. He is being paid an annual base salary of \$160,000, subject to review by the Company's Chief Executive Officer. Mr. Cunningham is entitled to 25 vacation days in addition to any public holiday.

The agreement may be terminated only upon twelve month prior written notice without cause. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes a 18-month non-compete and non-solicitation provision.

Michael Midgley

Pursuant to the terms of an employment agreement dated June 1, 2011, Mike Midgley was appointed the Chief Executive Officer of our wholly owned subsidiary Coda Octopus Colmek, Inc. He is being paid an annual salary of \$130,000 subject to an annual review by Colmek's Board of Directors and the Company's Chief Executive Officer. Mr. Midgley is entitled to 20 vacation days in addition to any public holiday.

The agreement may be terminated at any time upon 4 month prior written notice. The Company may terminate the agreement for cause, immediately and without notice. Among others, "for cause" includes gross misconduct, a serious or repeated breach of the agreement and negligence and incompetence as reasonably determined by the Company's Board. The agreement includes a 12-month non-compete and non-solicitation provision.

On May 16, 2016, the Company's Board of Directors ratified Mr. Midgley's position as the Company's acting Chief Financial Officer.



ITEM 11. EXECUTIVE COMPENSATION

The Summary Compensation Table shows certain compensation information for services rendered for the fiscal years ended October 31, 2010 and 2009 by our executive officers. The following information includes the dollar value of base salaries, bonus awards, stock options grants and certain other compensation, if any, whether paid or deferred. Conversion rates were used for 2010 and 2009 of \$1.55634 and \$1.94143 to £1 respectively and for 2010 \$0.16704 to 1 Norwegian Krone.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u> (<u>\$</u>)	<u>Bonus</u> (<u>\$</u>)	<u>Restricted Stock Awards</u> (<u>\$</u>)	<u>Option Awards</u> (<u>\$</u>)(4)	<u>All Other Compensation</u> (<u>\$</u>)(5)	<u>Total</u> (<u>\$</u>)
Geoff Turner (1) <i>Chief Executive Officer, Chief Financial Officer</i>	2010	112,389	-0-	-0-	-0-	38,966	151,355
	2009	161,875	-0-	50,000	-0-	15,328	227,203
Judith Wallace (2) <i>Chief Financial Officer</i>	2010	107,804	-0-	-0-	-0-	6,225	114,029
Mike Midgley (3) <i>CEO of Coda Octopus Colmek</i>	2010	130,000	-0-	-0-	-0-	-0-	130,000
Blair Cunningham <i>Chief Technology Officer</i>	2010	161,875	-0-	-0-	-0-	18,866	180,741
	2009	161,875	-0-	-0-	-0-	18,866	180,741

(1) Mr. Turner became Chief Executive Officer effective September 23, 2009. He also acted as Chief Financial Officer until May 2010.

(2) Ms. Wallace acted as our Chief Financial Officer from May 2010 to November 2010.

(3) Mr. Midgley became Chief Executive Officer of Coda Octopus Colmek in 2010.

(4) Amount represents the aggregate grant date fair value computed in accordance with ASC 718.

(5) All other compensation consisted of car allowances, re-location expenses, disability payments, pension benefits and/or pay for vacation not taken. Some of these amounts were paid in UK Pounds at the conversion rates shown above.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2010*

Option Awards

<u>Name (a)</u>	<u>Number of Securities Underlying Unexercised Options (#) Exercisable (b)</u>	<u>Number of Securities Underlying Unexercised Options (#) Unexercisable (c)</u>	<u>Option Exercise Price (\$) (e)</u>	<u>Option Expiration Date (f)</u>
Geoff Turner(3) <i>Chief Executive Officer</i>	17,000	33,000	\$ 1.30	August 2013
Blair Cunningham <i>Chief Technology Officer</i>	17,000	33,000	1.30	August 2013
Rolf Kahrs Hansen	None			
Judith Wallace	None			

* In accordance with the rules promulgated by the Securities and Exchange Commission, certain columns relating to information that is not applicable have been omitted from this table. As of the date hereof all outstanding options have expired or have been canceled.

DIRECTOR COMPENSATION*
(During Last Completed Fiscal Year)

Name** (a)	Fees Earned or Paid in Cash (1) (\$) (b)	Stock Awards (\$) (c)	Option Awards (\$) (d) (2)	Total (\$ (j)
Michael Hamilton	\$ 1,875	\$ -	\$ 52,500	\$ 54,375
Frank Moore	\$ 3,750	\$ -	\$ -	\$ 3,750
Christopher Parry	\$ 1,875	\$ -	\$ -	\$ 1,875

* Information relates to the fiscal year ended October 31, 2010. In accordance with the rules promulgated by the Securities and Exchange Commission, certain columns relating to information that is not applicable have been omitted from this table.

** Does not include individuals who were both executive officers and directors but who did not receive extra compensation as a result of their directorship.

- (1) All cash fees shown in the table above were earned by the directors and accrued by the Company. However, none have been paid to the directors to date. Figures do not include expenses incurred by the directors in the course of their duties and which have accrued but not been paid.
- (2) Comprising 50,000 5 year options valued based on date of issue or commitment to issue using Black Scholes method and booked into our accounts as an expense. A similar amount of options granted to Christopher Parry lapsed upon his resignation from the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the Exchange Act, our directors, our executive officers, and any persons holding more than 10% of our common stock are required to report their ownership of the common stock and any changes in that ownership to the Securities and Exchange Commission. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain reporting persons that no other reports were required, we believe that during our fiscal year ended October 31, 2010, no reports relating to our securities required to be filed by current reporting persons were filed late.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information as of August 12, 2016 regarding the beneficial ownership of our Common Stock, based on information provided by (i) each of our executive officers and directors; (ii) all executive officers and directors as a group; and (iii) each person who is known by us to beneficially own more than 5% of the outstanding shares of our Common Stock. The percentage ownership in this table is based on 127,078,395 shares issued and outstanding as of August 12, 2016.

Unless otherwise indicated, we believe that all persons named in the following table have sole voting and investment power with respect to all shares of Common Stock that they beneficially own.

<u>Name and Address of Beneficial Owner ⁽¹⁾</u>	<u>Amount and Nature of Beneficial Ownership of Common Stock ⁽²⁾</u>	<u>Percent of Common Stock</u>
Michael Hamilton	100,000	*
Annmarie Gayle ⁽²⁾	182,520	*
Michael Midgley	100,000	*
Geoff Turner	140,159	*
Blair Cunningham	340,159	*
Robert Ethrington	450,000	*
Francis Rogers	100,000	*
Niels Sondergaard Carit Etlars Vej 17A 8700 Horsens Denmark	30,988,791	24.4%
CCM Holdings LLC ⁽³⁾ 376 Main Street Bedminster, NJ 07921	28,595,037	22.5%
BKF Asset Holding Inc. ⁽⁴⁾ 31248 Oak Crest Drive, Suite 110 Westlake Village, CA 91361	9,372,256	7.4%
G. Tyler Runnels ⁽⁵⁾ 2049 Century Park East, Suite 320 Los Angeles, CA 90067	7,307,224	5.8%
J. Steven Emerson ⁽⁶⁾ 1522 Ensley Avenue Los Angeles, CA 90024	6,483,765	5.1%
Bryan Ezralow ⁽⁷⁾ 23622 Calabasas Rd. Suite 200 Calabasas, CA 91302	8,478,571	6.7%
All Directors and Executive Officers as a Group (seven persons):	1,412,838	1.1%

* Less than 1%.

(1) Unless otherwise indicated, the address of all individual and entities listed below is c/o Coda Octopus Group, Inc. 4020 Kidron Road, Suite #4, Lakeland, FL 33811.

(2) Does not include 30,988,791 shares beneficially owned by Ms. Gayle's domestic partner. Ms. Gayle disclaims any beneficial ownership in those shares.

(3) The Company has been advised that this entity is the registered owner of the shares and that they are being held for the benefit of a number of parties. The Company has been further advised that it has sole voting and dispositive power over these shares through John W. Galuchi, Jr., its managing member.

(4) The Company has been advised that Steven N. Bronson has voting and dispositive power over the shares held by this entity.

(5) Includes 5,364,005 shares held by the Runnels Family Trust DTD 1-11-2000 of which Mr. Runnels is a trustee. Also includes the following: 1,050,122 shares held by T.R. Winston; 351,950 shares held by High Tide LLC; 341,147 shares held by TRW Capital Growth Fund, Ltd.; and 200,000 shares held by Pangaea Partners. The Company has been advised that Mr. Runnels has voting and dispositive power with respect to all of these shares.

(6) Includes the following: 1,942,857 held by IRA R/O II; 1,578,571 shares held by Roth IRA; 690,580 shares held by the Bridget Emerson Family Trust; 285,714 shares held by Emerson Partners. The Company has been advised that Mr. Emerson has voting and dispositive power with respect to all of these shares.

(7) Consists of 6,000,000 shares held by the Bryan Ezralow 1994 Trust u/t/d 12/22/1991 and 2,478,571 shares held by EZ MM&B

Holdings, LLC. The Company has been advised that Mr. Ezralow has voting and dispositive power with respect to these shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the fiscal year ended October 2014, our CEO provided Coda Octopus Martech with a short term loan of £144,096 (the equivalent of \$238,842) as short term working capital. The loan accrues interest of 4.5% per annum and has been repaid in full.

On February 21, 2008 we issued to a London based institutional investor freely transferrable senior secured convertible notes in the principal amount of \$12,000,000 (the "Notes"). The Notes are secured by all of the assets of the Company and its subsidiaries and initially matured 84 months after the date of issuance at which time they were redeemable at 130% of the face amount of the Notes. The Notes accrue interest at the annual rate of 8.5%, payable in cash in semi-annually in arrears. The Notes are convertible into our common stock at the option of the Noteholders at a conversion price of \$1.05. Since its issuance, the Notes have been subject to a number of renegotiations and extensions of payment due dates.

The Company recently restructured the Notes as follows:

- The maturity date of the Notes was extended to November 1, 2017;
- The Company will reduce the principal amount outstanding under the Notes by \$2,000,000 payable in 10 equal monthly payments commencing March 31, 2016;
- On March 1, 2016, the Company issued 32,346,682 shares of its common stock in extinguishment of \$3,558,136 (the 130% redemption premium) due under the Notes at an effective price per share of \$0.11; and
- The Company has agreed to return to filing reports under the Securities Exchange Act of 1934 before March 1, 2017.

As of October 31, 2015, the principal balance plus accrued interest and accrued conversion premium under the Notes was \$14,940,258. As a result of the restructuring, as of April 30, 2016, the total balance outstanding under the Notes had been reduced to \$11,180,706. This amount includes principal and interest.

The Notes are held by CCM Holdings, LLC, a company organized under the laws of New Jersey. CCM Holdings is the registered holder of 22.5% of the Company's issued and outstanding shares of common stock.

Pursuant to the terms of a Restructuring Agreement between the Company and CCM Holding, the Senior Secured Convertible 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 \$0.11, representing the stock price of the Company on the day that the parties entered into the agreement.

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 shares of Series C Preferred Stock each have a nominal value of \$0.001 and a stated value of \$1,000. The Certificate of Designation for the Series C Preferred Stock does not provide for dividends or voting rights. The 6,087 units of Series A Preferred Stock were surrendered and cancelled by the Company.

In July 2010 the Company entered into a Financing Agreement with an affiliate of CCM Holdings, LLC, an affiliate of the Company, Fort Advisors LLC under which Fort Advisors agreed to make advances of up to \$500,000 against certain invoices and contracts for which the Company paid 20% against each invoice that was financed.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees. The aggregate fees billed by RBSM LLP, our principal accountants, for professional services rendered for the audit of the Company's annual financial statements for the last two fiscal years and for the reviews of the financial statements included in the Company's Quarterly reports on Form 10-Q during the last two fiscal years 2010 and 2009 were \$125,000 and \$240,086, respectively.

Audit-Related Fees. The aggregate fees billed by RBSM LLP, our principal accountants, for professional services rendered in connection with the audits of acquired businesses, the review of and consent to the filing of registration statements, and assistance in responding to comment letters issued by the Securities & Exchange Commission during the last two fiscal years 2010 and 2009 were \$0 and \$3,100, respectively.

Tax Fees. The aggregate fees billed by the Company's principal accountants for tax compliance, tax advice and tax planning services rendered to the Company during the last two fiscal years 2010 and 2009 were \$0 and \$3,100, respectively.

All Other Fees. The Company did not engage its principal accountants to render services to the Company during the last two fiscal years, other than as reported above.

Prior to the Company's engagement of its independent auditor, such engagement is approved by the Company's audit committee. The services provided under this engagement may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. Pursuant to the Company's Audit Committee Charter, the independent auditors and management are required to report to the Company's audit committee at least quarterly regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The audit committee may also pre-approve particular services on a case-by-case basis. All audit-related fees, tax fees and other fees incurred by the Company for the year ended October 31, 2010, were approved by the Company's audit committee.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
2.1	Plan and Agreement of Merger dated July 12, 2004 by and between Panda and Coda Octopus *
2.2	Share Purchase Agreement dated June 26, 2006 between Colin Richard, Coda Octopus (UK) Holdings Limited and Coda Octopus, Inc.*
2.3	Stock Purchase Agreement dated April 6, 2007, between Miller & Hilton d/b/a Colmek Systems Engineering, its shareholders and Coda Octopus (US) Holdings Inc. *
3.1	Certificate of Incorporation *
3.1(a)	Certificate of Designation Series A Preferred Stock *
3.1(b)	Certificate of Amendment to Certificate of Designation Series A Preferred Stock *
3.1(c)	Certificate of Designation Series B Preferred Stock*
3.1(d)	Certificate of Designation Series C Preferred Stock
3.1(e)	Certificate of Amendment to Certificate of Incorporation
3.1(f)	Certificate of Amendment to Certificate of Incorporation
3.1(g)	Certificate of Elimination Series A Preferred Stock
3.1(h)	Certificate of Elimination Series B Preferred Stock
3.2	By-Laws *
4.1	Form of Warrant *
10.5	[Reserved]
10.8	Form of Securities Purchase Agreement dated April 4, 2007 *
10.9	Sale of Accounts and Security Agreement dated August 17, 2005 between the Company and Faunus Group International, Inc. *
10.10	Standard Form of Office Lease dated June 1, 2007 between the Company and Nelco Inc. *
10.11	[Reserved]
10.12	Amendment to Securities Purchase Agreements dated March 21, 2007 between Vision Opportunity Master Fund Ltd. and Coda Octopus*
10.13	Securities Repurchase Agreement dated April 10, 2007 between Coda Octopus and Vision Opportunity Master Fund*
10.15	Award/Contract dated July 2, 2007 issued by U.S. Army*

10.16	Subscription Agreement dated February 21, 2008, between the Company and The Royal Bank of Scotland**
10.17	Form of Loan Note Instrument dated February 21, 2008**
10.18	Form of Loan Note Certificate**
10.19	Security Agreement dated February 21, 2008**
10.20	Floating Charge executed by Coda Octopus R&D Limited dated February 21, 2008**
10.21	Floating Charge executed by Coda Octopus Products Limited dated February 21, 2008**
10.22	Form of Guarantee**
10.23	Intercreditor Deed dated February 20, 2008 between the Company, The Royal Bank of Scotland and Faunus Group International**
10.24	Debenture issued by Martech Systems (Weymouth) Limited**
10.25	Deed of Amendment to Loan Note Transaction Documents dated October 31, 2015 by and between the Company and CCM Holdings LLC
10.26	Consultancy Agreement dated June 15, 2013 between the Company and Pemanaco Limited
10.27	Employment Contract between Coda Octopus Colmek, Inc. and Mike Midgley
10.28	Consultancy Agreement dated June 15, 2013 between the Company and Taktos Limited
10.29	Employment Contract dated January 1, 2013 between Coda Octopus Products, Inc. and Blair Cunningham
31	Chief Executive Officer and Interim Chief Financial Officer and Certification
32	Certification Pursuant to 18 U.S.C. Section 1350

* Incorporated by reference to the Company's Registration Statement on Form SB-2 (SEC File No.143144)

** Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended October 31, 2007

*** Incorporated by reference to the Company's Proxy Statement filed with the Securities and Exchange Commission June 13, 2008

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 19, 2016

CODA OCTOPUS GROUP, INC.

/s/ Annmarie Gayle

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Geoff Turner, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments in this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connections therewith, with the Securities and Exchange Commission, hereby ratifying and conforming all that each of said attorneys-in-fact, or his or her substitutes, may do or cause to be done by virtue of hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Annmarie Gayle</u> Annmarie Gayle	Chief Executive Officer and Director (Principal Executive Officer)	August 19, 2016
<u>/s/ Michael Midgley</u> Michael Midgley	Interim Chief Financial Officer and Director (Principal Financial Officer)	August 19, 2016
<u>/s/ Michael Hamilton</u> Michael Hamilton	Chairman of the Board	August 19, 2016
<u>/s/ Geoff Turner</u> Geoff Turner	Executive Director	August 19, 2016
<u>/s/ Blair Cunningham</u> Blair Cunningham	Director	August 19, 2016
<u>/s/ Robert Ethrington</u> Robert Ethrington	Director	August 19, 2016
<u>/s/ Francis Rogers</u> Francis Rogers	Director	August 19, 2016

CODA OCTOPUS GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

To The Shareholders and Board of Directors
Coda Octopus Group, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Coda Octopus Group, Inc. and its wholly owned subsidiaries (the "Company"), as of October 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit and cash flows for each of the two years in the period ended October 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coda Octopus Group, Inc. and its wholly owned subsidiaries as of October 31, 2010 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended October 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

New York, New York
August 18, 2016

/s/ RBSM LLP
RBSM LLP

CODA OCTOPUS GROUP, INC.
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2010 and 2009

	October 31, 2010	October 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 215,204	\$ 275,885
Restricted cash	827,266	994,081
Short-term investments	14,875	51,000
Accounts receivable, net of allowance for doubtful accounts	1,863,842	2,033,879
Inventory	1,780,114	2,798,425
Unbilled receivables	587,015	690,344
Other current assets	180,597	285,691
Prepaid expenses	218,059	247,134
Total current assets	5,686,972	7,376,439
Property and equipment, net	114,469	267,964
Deferred financing costs, net of accumulated amortization of \$1,694,893 in 2010 and \$423,723 in 2009	-	1,271,170
Goodwill and other intangible assets, net	3,921,847	4,221,807
Total assets	\$ 9,723,288	\$ 13,137,380
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, trade	\$ 2,036,340	\$ 2,390,039
Accrued expenses and other current liabilities	4,057,951	4,626,164
Deferred revenues and warranty provisions	1,214,183	398,482
Deferred payment related to acquisitions	394,213	404,274
Warrant liability	473,384	-
Short term loan payable	14,423,516	-
Total current liabilities	22,599,587	7,818,959
Loans and notes payable, long term	160,350	13,233,523
Total liabilities	22,759,937	21,052,482
Commitments and contingencies	-	-
Stockholders' deficit:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, Series A Preferred Stock; 50,000 shares designated; 6,287 and 6,287 shares issued and outstanding, as of October 31, 2010 and 2009 respectively	6	6
Common stock, \$0.001 par value; 150,000,000 Authorized; 60,614,958 and 49,000,244 shares issued and outstanding, respectively as of October 31, 2010 and 2009 respectively	60,615	49,000
Common Stock subscribed	-	96,350
Additional paid-in capital	47,167,905	51,766,495
Accumulated other comprehensive loss	(979,342)	(696,617)
Accumulated deficit	(59,285,833)	(59,130,336)
Total stockholders' deficit	(13,036,649)	(7,915,102)
Total liabilities and stockholders' deficit	\$ 9,723,288	\$ 13,137,380

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

CODA OCTOPUS GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Net revenue	\$ 11,509,933	\$ 13,224,435
Cost of revenue	<u>6,175,633</u>	<u>6,315,961</u>
Gross profit	5,334,300	6,908,474
Operating Expenses:		
Research and development	1,762,035	2,652,713
Selling, general and administrative expenses	<u>6,382,598</u>	<u>10,996,833</u>
Total operating expenses	<u>8,144,633</u>	<u>13,649,546</u>
Operating loss	<u>(2,810,333)</u>	<u>(6,741,072)</u>
Other Income (Expense):		
Other income, net	1,751,477	201,748
Amortization of deferred financing costs	(1,271,170)	(242,128)
Interest expense	(2,005,836)	(1,846,883)
Change in the fair value of warrant liability	2,557,546	-
Impairment of investment in marketable securities	-	(782,595)
Total other income (expense)	<u>1,032,017</u>	<u>(2,669,858)</u>
Loss before income taxes	(1,778,316)	(9,410,930)
Provision for income taxes	-	(22,208)
Net loss	(1,778,316)	(9,433,139)
Preferred Stock Dividends:		
Series A	-	(47,382)
Series B	-	-
Net Loss Applicable to Common Shares	<u>\$ (1,778,316)</u>	<u>\$ (9,480,520)</u>
Loss per share, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.19)</u>
Weighted average shares outstanding	<u>49,247,694</u>	<u>48,707,615</u>
Comprehensive loss:		
Net loss	\$ (1,778,316)	\$ (9,433,138)
Foreign currency translation adjustment	(282,725)	(143,921)
Unrealized loss on available for sale investment	-	(17,000)
Comprehensive loss	<u>\$ (2,061,041)</u>	<u>\$ (9,594,059)</u>

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

CODA OCTOPUS GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY
FOR THE TWO YEARS ENDED OCTOBER 31, 2010

	Preferred Stock Series A		Preferred Stock Series B		Common Stock		Stock Subscribed	Additional Paid-in Capital	Accumulated Other Comprehensive loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, October 31, 2008	<u>6,287</u>	<u>\$ 6</u>	<u>-</u>	<u>\$ -</u>	<u>48,853,664</u>	<u>\$48,854</u>	<u>\$ 131,790</u>	<u>\$51,433,049</u>	<u>\$ (1,317,696)</u>	<u>\$(49,649,815)</u>	<u>\$ 646,188</u>
Stock issued for compensation					146,580	146	(35,440)	30,163			(5,131)
Fair value of options issued as compensation								295,853			295,853
Fair value of options issued for acquisition								7,430			7,430
Preferred stock dividends Series A										(47,382)	(47,382)
Foreign currency translation adjustment									(143,921)		(143,921)
Realized loss on marketable securities reclassified to earnings									782,000		782,000
Unrealized (loss) from marketable securities									(17,000)		(17,000)
Net loss										(9,433,139)	(9,433,139)
Balance, October 31, 2009	<u>6,287</u>	<u>\$ 6</u>	<u>-</u>	<u>\$ -</u>	<u>49,000,244</u>	<u>\$49,000</u>	<u>\$ 96,350</u>	<u>\$51,766,495</u>	<u>\$ (696,617)</u>	<u>\$(59,130,336)</u>	<u>\$ (7,915,102)</u>
Shares issued for warrants					11,239,714	11,240		264,637			275,877
Cumulative effect of warrant liability								(4,929,623)		1,622,816	(3,306,807)
Write off/reclassification of stock subscriptions							(81,350)				(81,350)
Foreign currency translation adjustment									(282,725)		(282,725)
Fair value of options issued as compensation								24,771			24,771
Stock issued for compensation					375,000	375	(15,000)	41,625			27,000
Net loss										(1,778,316)	(1,778,316)
Balance, October 31, 2010	<u>6,287</u>	<u>\$ 6</u>	<u>-</u>	<u>\$ -</u>	<u>60,614,958</u>	<u>\$60,615</u>	<u>\$ -</u>	<u>\$47,167,905</u>	<u>\$ (979,342)</u>	<u>\$(59,285,836)</u>	<u>\$(13,036,649)</u>

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

CODA OCTOPUS GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,778,316)	\$ (9,433,137)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	274,019	689,744
Stock based compensation	51,771	290,722
Impairment of goodwill	142,430	-
Non cash interest expense	1,128,224	1,292,167
Amortization of debt issuance cost	1,271,170	242,128
Write-off of common stock subscription	(19,350)	-
Impairment of investment in marketable securities	-	782,000
Bad debt expense	9,325	238,458
Change in fair value of warrant liability	(2,557,543)	-
Loss on abandonment of fixed assets	11,370	-
Gain on settlement of payables	(694,510)	-
(Gain) loss on investment in marketable securities	(13,625)	11,636
(Increase) decrease in operating assets:		
Accounts receivable	160,712	593,621
Inventory	1,018,311	(445,850)
Prepaid expenses	29,075	138,696
Other receivables	208,423	(161,462)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(313,602)	4,055,979
Deferred revenues	815,701	-
Due to related parties	-	40,228
Net cash used in operating activities	<u>(256,415)</u>	<u>(1,665,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale (payment for purchases) of property and equipment	46,271	(47,758)
Purchases of intangible assets	(20,635)	(18,524)
Proceeds from sales of marketable securities	49,750	-
Acquisition Payments	(10,061)	(181,317)
Change in restricted cash	166,815	22,926
Cash acquired in acquisitions	-	877
Net cash provided by (used in) investing activities	<u>232,140</u>	<u>(223,796)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from loans and notes payable	246,319	(1,530,086)
Preferred stock dividend	-	(101,256)
Net cash provided by (used in) financing activities	<u>246,319</u>	<u>(1,631,342)</u>
Effect of exchange rate changes on cash	<u>(282,725)</u>	<u>(100,056)</u>
Net decrease in cash	(60,681)	(3,620,264)
Cash and cash equivalents, beginning of year	<u>275,885</u>	<u>3,896,149</u>
Cash and cash equivalents, end of year	<u>\$ 215,204</u>	<u>\$ 275,885</u>
Cash paid for:		
Interest	\$ 716,387	\$ 172,842
Income taxes	\$ -	\$ -
Supplemental Disclosures of Non-cash Investing and Financing Activities:		
Cumulative effect of warrant liability	\$ 4,929,623	\$ -
Reclassification of common stock subscription to accrued liabilities	\$ 62,000	\$ -
Acquisition of Dragon:		
Current assets acquired	\$ -	\$ 147,039
Cash acquired	-	877
Equipment acquired	-	51,336
Goodwill and other intangible assets	-	342,013

Deferred payments		=	(280,162)
Cash Paid for Acquisition	\$	-	\$ 89,317
<u>Acquisition of Tactical:</u>			
Equipment acquired	\$	-	\$ 5,000
Goodwill and other intangible assets		-	252,430
Options issued		-	(7,430)
Deferred note payable		-	(125,000)
Cash Paid for Acquisition	\$	-	\$ 125,000

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

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2010 and 2009

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Business and Basis of Presentation

Coda Octopus Group, Inc. (“we”, “us”, “our company” or “Coda”) was formed under the laws of the State of Florida in 1992. We are a developer of underwater technologies and equipment for imaging, mapping, defense and survey applications. Our headquarters are in Lakeland, Florida. Our subsidiaries are based in Florida, Utah, United Kingdom, Australia and Norway.

The consolidated financial statements include the accounts of Coda and our domestic and foreign subsidiaries that are more than 50% owned and controlled. All significant intercompany transactions and balances have been eliminated in the consolidated financial statement.

Use of Estimates

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 consolidated financial statements 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. Included in these estimates are assumptions about collection of accounts receivable, impairment of intangible assets, useful life of property and equipment, assumptions used to calculate fair value of stocks and warrants granted, stock based compensation, deferred income tax asset valuation allowances, and valuation of derivative liabilities.

Revenue Recognition

We record revenue in accordance with ASC Topic 605 - Revenue Recognition. Our revenue is derived from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the fair value of each deliverable in accordance with ASC 605-25-05 and ASC 605-10-599, and recognize revenue for equipment upon delivery and for installation and other services as performed. ASC 605-25-05 was effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003.

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

Revenues derived from our software license sales are recognized in accordance with FASB ASC Topic 985 - Software. 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 an arrangement, (2) collection of our fee is considered probable and (3) the fee is fixed and determinable.

Some of the subsidiaries report earnings from job contracts on the percentage of completion measured by the proportion of job costs incurred to date to estimate total job costs for each contract. Costs and estimated earnings in excess of billings and vice versa on uncompleted contracts have been recorded as current assets and current liabilities, respectively. At the time a loss becomes known, the entire amount of the estimated ultimate loss is recognized. The earnings or losses, the Company ultimately will realize on uncompleted contracts could differ materially in the next year from the amounts estimated.

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Foreign Currency Translation

The Company translates the foreign currency financial statements of its foreign subsidiaries in accordance with the requirements of ASC 830 - Foreign Currency Matters. Assets and liabilities are translated at exchange rates existing at the balance sheet dates, related revenue and expenses are translated at average exchange rates in effect during the period and stockholders' equity, is recorded at historical exchange rates. Resulting translation adjustments are recorded as a separate component in stockholders' equity as part of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in the statement of income.

Income Taxes

Deferred income taxes are provided using the asset and liability method for financial reporting purposes in accordance with the provisions of ASC 740 - Income Taxes. Under this method, deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be removed or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

Cash and Cash Equivalents

Cash equivalents are comprised of highly liquid investments with maturity of three months or less when purchased. We maintain our cash in bank deposit accounts, which at times, may exceed insured limits. We have not experienced any losses in such accounts.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject us to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. We place our cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limits.

Accounts Receivable

Accounts receivable are generally unsecured. The Company establishes an allowance for doubtful accounts receivable based on the age of outstanding invoices and management's evaluation of collectability. Accounts are written off after all reasonable collection efforts have been exhausted and management concludes that likelihood of collection is remote. Any future recoveries are applied against the allowance for doubtful accounts. We periodically review our trade receivables in determining our allowance for doubtful accounts. Allowance for doubtful accounts was \$9,325 and \$255,789 for the years ended October 31, 2010 and 2009 respectively.

Fair Value of Financial Instruments

FASB ASC 825-10-50 - Financial Investments requires disclosure of the fair value of certain financial instruments. The carrying value of cash and cash equivalents, accounts receivable, other receivables, accounts payable and short-term borrowings, as reflected in the balance sheets, approximate fair value because of the short-term maturity of these instruments. Our long term debt has interest rates that approximate market and therefore the carrying amounts approximate their fair values.

Fair Values

In the first quarter of fiscal year 2008, the Company adopted FASB ASC Topic -820, "Fair Value Measurements and Disclosures" (ASC 820) as amended by ASC Topic 820-10-55. ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. ASC Topic 820-10-55 delays, until the first quarter of fiscal year 2009, the effective date for ASC 820 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of ASC 820 did not have a material impact on the Company's financial position or operations. Refer to Note 4 and 10 for further discussion regarding fair value.

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2010 and 2009

Debt and Equity Securities

The Company follows the provisions of FASB ASC Topic 320, Accounting for Certain Investments in Debt and Equity Securities (ASC 320). The Company classifies debt and equity securities into one of three categories: held-to-maturity, available-for-sale or trading. These security classifications may be modified after acquisition only under certain specified conditions. Securities may be classified as held-to-maturity only if the Company has the positive intent and ability to hold them to maturity. Trading securities are defined as those bought and held principally for the purpose of selling them in the near term. All other securities must be classified as available-for-sale.

Held-to-maturity securities are measured at amortized cost in the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings or in a separate component of capital. They are merely disclosed in the notes to the consolidated financial statements.

Available-for-sale securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings but are reported as a net amount (less expected tax) in a separate component of equity until realized.

Trading securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses for trading securities are included in earnings.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses.

Inventory

Inventory is stated at the lower of cost or market using the first-in first-out method. Inventory is comprised of the following components at October 31, 2010 and 2009:

	2010	2009
Raw materials	\$ 887,061	\$ 1,384,043
Work in process	98,630	48,389
Demo goods	307,792	-
Finished goods	486,631	1,365,993
Total inventory	<u>\$ 1,780,114</u>	<u>\$ 2,798,425</u>

We regularly review our inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, production availability and/or our ability to sell the product(s) concerned. Demand for our products can fluctuate significantly. Factors that could affect demand for our products include unanticipated changes in consumer preferences, general market and economic conditions or other factors that may result in cancellations of advance orders or reductions in the rate of reorders placed by customers and/or continued weakening of economic conditions. Additionally, management's estimates of future product demand may be inaccurate, which could result in an understated or overstated provision required for excess and obsolete inventory. There was no reserve for inventory allowance as of October 31, 2010 and 2009.

Property and Equipment

We record our equipment at historical cost. We expense maintenance and repairs as incurred. Depreciation is provided for by the straight-line method over three to four years, the estimated useful lives of the property and equipment. When assets are retired or disposed of, the cost and accumulated depreciation are removed, and any resulting gains or losses are included in the consolidated statement of operations.

Long-Lived Assets

We follow FASB ASC Topic 360, "Accounting for Impairment of Disposal of Long-Lived Assets", (ASC 360) which established a "primary asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used. 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 disposition 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 years ended October 31, 2010 and 2009.

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2010 and 2009

Research and Development

Research and development costs consist of expenditures for the present and future patents and technology, which were expensed and not capitalized. We are eligible for United Kingdom tax credits related to our qualified research and development expenditures. Tax credits are classified as a reduction of research and development expense. During the year ended October 31, 2010, we recorded tax credits totaling \$201,716 and \$358,346 during the year ended October 31, 2009.

Advertising (Marketing)

We charge the costs of marketing to expense as incurred. For the years ended October 31, 2010 and 2009, advertising costs were \$207,876 and \$522,576, respectively.

Other Operating Expenses

We incurred costs of \$55,140 and nil as non-recurring fees and expenses in connection with our financings and acquisitions for October 31, 2010 and 2009, respectively.

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 amortizable 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.

We test for impairment at the reporting unit level as defined in FASB ASC Topic 350, "Goodwill and Other Intangible Assets" (ASC 350). This test is a two-step process. 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. In the fourth quarter 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. ASC 350 also requires that intangible assets with determinable useful lives be amortized over their respective estimated useful lives and reviewed annually for impairment in accordance with ASC 360.

Stock Based Compensation

Effective January 1, 2006, the Company adopted FASB ASC Topic 718 - Compensation - Stock Compensation, (ASC 718) which requires the recognition of the expense related to the fair value of stock-based compensation awards within the statement of income. The Company elected the modified prospective transition method as permitted by (ASC 718). Under this transition method, stock-based compensation expense for the years ended October 31, 2010 and 2009 includes compensation expense for unvested stock-based compensation awards that were outstanding as of January 1, 2006, respectively, for which the requisite service was rendered during the year. The stock-based compensation costs for these awards granted prior to January 1, 2006 were based on the grant date fair value estimated in accordance with the original provisions of ASC 718. Compensation expense for all stock-based compensation awards granted subsequent to January 1, 2006 is based on the grant date fair value estimated in accordance with the provisions of ASC 718 recorded over the requisite service period.

CODA OCTOPUS GROUP, INC.
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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.

Comprehensive Income

FASB ASC Topic 220 - Comprehensive Income, (ASC 220) establishes standards for reporting and displaying of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income includes gains and losses on foreign currency translation adjustments and unrealized gains and losses on available for sale investments and is included as a component of stockholders' equity.

Deferred Financing Costs

Deferred financing costs primarily include debt issuance costs incurred by the Company in connection with the issuance of convertible debt in February 2008 (see Note 13). Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. Deferred financing cost expense was \$1,271,170 and \$242,128 in 2010 and 2009, respectively.

Earnings Per Share

We use FASB ASC Topic 260, "Earnings per Share" (ASC 260) for calculating the basic and diluted 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 using the treasury stock method, as well as the dilutive effect from outstanding restricted Common Stock. Potential common shares not included in the calculation of net income per share, since their effect would be anti-dilutive.

Per share basic and diluted net loss amounted to \$0.04 and \$0.19 for the years ended October 31, 2010 and 2009, respectively. For the years ended October 31, 2010 and 2009, 39,979,858 and 50,999,756 potential shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Warrant Derivative Liabilities

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

A Black-Scholes-Merton option-pricing model, with dilution effects, was utilized to estimate the fair value of the warrant derivative liabilities.

Related Parties

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The All transactions with related parties shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to the related party.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against and by the Company or un-asserted claims that may result in such proceedings, the Company's management evaluates the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be

estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Reclassifications

Certain reclassifications have been made to conform the prior period data to the current presentation. These reclassifications had no effect on reported net loss.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance now codified under Accounting Standards Codification ("ASC") Topic 105-10, which establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with GAAP. ASC Topic 105-10 explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission ("SEC") under federal securities laws as authoritative GAAP for SEC registrants. Upon adoption of this guidance under ASC Topic 105-10, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification became non-authoritative. The guidance under ASC Topic 105-10 became effective for the Company as of September 30, 2009. References made to authoritative FASB guidance throughout this document have been updated to the applicable Codification section.

CODA OCTOPUS GROUP, INC.
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In February 2007, the FASB issued FASB ASC Topic 825, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of ASC 320” (ASC 825) which permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of (ASC 825) apply only to entities that elect the fair value option. However, the amendment to ASC 320 “Accounting for Certain Investments in Debt and Equity Securities” applies to all entities with available-for-sale and trading securities. ASC 825 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of ASC 820, “Fair Value Measurements”. The adoption of ASC 825 is not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued FASB ASC Topic 805, “Business Combinations” (ASC 805), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. ASC 805 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any that the adoption will have on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB ASC Topic 810, “Non-controlling Interest in Consolidated Financial Statements, an amendment of ASC 810-12-15” (ASC 810), which will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity within the consolidated balance sheets. ASC 810 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited and the Company is currently evaluating the effect, if any that the adoption will have on its consolidated financial position, results of operations or cash flows.

In June 2007, the FASB issued FASB ASC Topic 730-20, “Accounting for Non-refundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities” ASC 730-20, which requires that non-refundable advance payments for goods or services that will be used or rendered for future research and development (R&D) activities be deferred and amortized over the period that the goods are delivered or the related services are performed, subject to an assessment of recoverability. ASC 730-20 will be effective for fiscal years beginning after December 15, 2007. The Company does not expect that the adoption of ASC 730-20 will have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued FASB ASC Topic 808-10-15, “Accounting for Collaborative Arrangements” (ASC 808-10-15) which defines collaborative arrangements and requires collaborators to present the result of activities for which they act as the principal on a gross basis and report any payments received from (made to) the other collaborators based on other applicable authoritative accounting literature, and in the absence of other applicable authoritative literature, on a reasonable, rational and consistent accounting policy is to be elected. ASC 808-10-15 also provides for disclosures regarding the nature and purpose of the arrangement, the entity’s rights and obligations, the accounting policy for the arrangement and the income statement classification and amounts arising from the agreement. ASC 808-10-15 will be effective for fiscal years beginning after December 15, 2008, which will be the Company’s fiscal year 2009, and will be applied as a change in accounting principle retrospectively for all collaborative arrangements existing as of the effective date. The Company has not yet evaluated the potential impact of adopting ASC 808-10-15 on its consolidated financial position, results of operations or cash flows.

In March 2008, the FASB” issued FASB ASC Topic 815-10-65, “Disclosures about Derivative Instruments and Hedging Activities – an amendment to 815-10-05 (ASC 815-10-65) which is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under 815-10-05 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The Company is currently evaluating the impact of ASC 815-10-65, if any, will have on its consolidated financial position, results of operations or cash flows.

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In April 2008, the FASB issued FASB ASC Topic 350-30, "Determination of the Useful Life of Intangible Assets". (ASC 350-30) which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". The Company is required to adopt ASC 350-30 on September 1, 2009, earlier adoption is prohibited. The guidance in ASC 350-30 for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after adoption, and the disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, adoption. The Company is currently evaluating the impact of ASC 350-30 on its consolidated financial position, results of operations or cash flows.

In 2008, the FASB issued FASB ASC 815-40 (Previously known as: EITF 07-05, Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock). FASB ASC 815-40 provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in FASB ASC 810-10-15 (Prior authoritative literature: paragraph 11(a) of SFAS 133). The Company is currently evaluating the impact of FASB ASC 815-40 on the Company's financial statements.

In May 2008, the FASB ASC Topic 470-20-15, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" (ASC 470-20-15) which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. ASC 470-20-15 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis. The Company is currently evaluating the potential impact, if any, of the adoption of ASC 470-20-15 on its consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued FASB ASC Topic 260-10-45, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FASB ASC Topic 260-10-45, unvested share-based payment awards that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities, and should be included in the two-class method of computing EPS. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. The Company does not expect the adoption of ASC 260-10-45 to have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued FASB ASC 855-10 (Previously known as: SFAS No. 165, "Subsequent Events") FASB ASC 855-10 establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are available to be issued ("subsequent events"). More specifically, FASB ASC 855-10 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that should be made about events or transactions that occur after the balance sheet date. FASB ASC 855-10 provides largely the same guidance on subsequent events which previously existed only in auditing literature. The guidance under ASC Topic 855-10 became effective for the Company as of June 30, 2009.

Liquidity

The Company's consolidated financial statements have been prepared assuming it will continue as a going concern. For the fiscal year ended October 31, 2010, the Company has an accumulated deficit of \$59,285,833, negative working capital of \$16,912,615, a stockholders' deficit of \$13,036,649 and generated a deficit in cash flow from operations of \$256,415 in 2010 against \$1,665,070 in 2009. The Company has been dependent upon the ability to generate revenue from the sale of its products and services and the discretion of the note holder to release cash to cover operations.

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NOTE 2 - RESTRICTED CASH

On March 16, 2009, the Company and the holder of the secured convertible debenture (“The Noteholder”) entered into a Cash Control Framework Agreement, pursuant to which it is assumed that, subject to the Company being fully compliant with the terms of this agreement and those set out in the Transaction Documents entered into between the Company and the Noteholder on February 21, 2008, no adverse actions will be taken by the Noteholder. The agreement provides, among other things, for the placement of approximately \$2.15 million into a segregated cash account. Under the terms of the agreement, we may request the release of funds from the account from time to time for working capital purposes, subject to the Noteholder’s consent and agreed upon terms and conditions. Under the terms of the agreement, we must also adhere to a strict cost cutting program which involves reducing our SG&A, R&D and capital expenditure by an annualized \$3.35 million.

This agreement was extended for a further period of one year, expiring on March 16, 2009. On January 18, 2010, the noteholder notified us in writing that it had waived its right to demand repayment of the loan as a result of our failure to observe certain specified loan covenants. The agreement was extended for a further period of 12 months. We believe that the terms of this agreement may provide us with sufficient liquidity to operate for fiscal 2011.

At October 31, 2010 we have received net advances from this facility of \$827,266.

See Note 16 of the Consolidated Financial Statement for current information on the Cash Control Framework Agreement.

NOTE 3 - CONTRACTS IN PROGRESS

Costs and estimated earnings in excess of billings on uncompleted contracts represent accumulated project expenses and fees which have not been invoiced to customers as of the date of the balance sheet. These amounts are stated on the balance sheet as Unbilled Receivables of \$587,015 and \$690,344 as of October 31, 2010 and 2009, respectively.

Billings in excess of cost and estimated earnings on uncompleted contracts represent project invoices billed to customers that have not been earned as of the date of the balance sheet. These amounts are stated on the balance sheet as Deferred Revenue of \$443,853 and \$111,463 as of October 31, 2010 and 2009, respectively.

Revenue received for the sale of equipment includes a provision for warranty and is treated as deferred revenue, along with extended warranty sales. These amounts are amortized over the 12-month warranty term starting from the date of sale. These amounts are stated on the balance sheet as Deferred Revenue of \$770,330 and \$287,018 as of October 31, 2010 and 2009, respectively.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC Topic 820 - Fair Value Measurements and Disclosures (“ASC 820”) defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

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To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Items recorded or measured at fair value on a recurring basis in the accompanying consolidated financial statements consisted of the following items as of October 31, 2010:

	Total	Quoted Prices in Active Markets for Identical Instruments Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Restricted cash	\$ 827,266	\$ 827,266	\$ -	\$ -
Short term investment	\$ 14,875	\$ 14,875	\$ -	\$ -
Total	\$ 842,141	\$ 842,141	\$ -	\$ -
Liabilities:				
Warrant liability	\$ 473,384	\$ -	\$ -	\$ 473,384
Loans and notes payable	\$ 14,583,866	\$ -	\$ 14,583,866	\$ -
Totals	\$ 15,057,250	\$ -	\$ 14,583,866	\$ 473,384

With the exception of assets and liabilities included within the scope of ASC 820-10-15, the Company adopted the provisions of ASC 820 prospectively effective as of the beginning of the year ended October 31, 2008. For financial assets and liabilities included within the scope of ASC 820-10-15, the Company will be required to adopt the provisions of ASC 820 prospectively as of the year beginning October 31, 2009. The adoption of ASC 820 did not have a material impact on our financial position or results of operations, and the Company do not believe that the adoption of ASC 820-10-15 will have a material impact on our financial position or results of operations.

The fair value of the assets, short term investments, at October 31, 2010 was grouped as Level 1 valuation as the market price was readily available.

As of October 31, 2009, this investment had a value of \$51,000, with a realized loss of \$782,000, and an unrealized loss of \$17,000 included in the determination of comprehensive loss.

Loans and notes payable is recorded at face amount, which approximates fair value.

See Note 16 of the Consolidated Financial Statement on current information on the matters set out in this Note 4.

NOTE 5 - OTHER CURRENT ASSETS

Other current assets on the balance sheet total \$180,597 and \$285,690 at October 31, 2010 and 2009 respectively. These totals comprise the following:

	2010	2009
Deposits	\$ -	\$ 96,277
Value added tax (VAT) receivable	1,993	113,636
Other receivables	178,604	75,777
Total	\$ 180,597	\$ 285,690

CODA OCTOPUS GROUP, INC.
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NOTE 6 - FIXED ASSETS

Property and equipment at October 31, 2010 and 2009 is summarized as follows:

	2010	2009
Machinery and equipment	\$ 674,751	\$ 1,001,384
Accumulated depreciation	(560,282)	(733,420)
Net property and equipment assets	<u>\$ 114,469</u>	<u>\$ 267,964</u>

Depreciation expense recorded in the statements of operations for the years ended October 31, 2010 and 2009 is \$95,854 and \$238,632, respectively.

During, the current year, the Company sold assets for \$46,271, which has been netted against the purchase of new assets in the table above.

NOTE 7 - INTANGIBLE ASSETS AND GOODWILL

The Company accounts for intangible assets and goodwill in accordance with ASC 350. Goodwill and Other Intangible Assets, whereby the Company periodically tests its intangible assets for impairment. On an annual basis, and when there is reason to believe that their values have been diminished or impaired, these assets are tested for impairment, and write-downs will be included in results from operations.

The identifiable intangible assets acquired and their carrying value at October 31, 2010 and 2009 is:

	2010	2009
Customer relationships (weighted average life of 10 years)	\$ 723,127	\$ 784,243
Non-compete agreements (weighted average life of 3 years)	230,981	278,651
Patents (weighted average life of 10 years)	86,539	67,837
Licenses (weighted average life of 2 years)	100,000	100,000
Total amortized identifiable intangible assets - gross carrying value	1,140,647	1,230,731
Less accumulated amortization and impairment	<u>(600,908)</u>	<u>(533,462)</u>
Net	<u>539,739</u>	<u>697,269</u>
Residual value	<u>\$ 539,739</u>	<u>\$ 697,269</u>

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Our acquisition of Dragon Design Ltd (“Dragon”) in December 2008 resulted in the valuation of Dragon’s customer relationships and covenants not to compete as intangible assets (see Note 14), which have an estimated useful life of 3 years each, and as such are being amortized on a straight-line basis over that period. In addition, we recognized goodwill of \$282,533 that represents the excess of the purchase price we paid over the fair value of Dragon’s net tangible and intangible assets we acquired.

Our acquisition of the assets of Tactical Intelligence, LLC (“Tactical”) in November 2008 resulted in the valuation of Tactical’s customer relationships and covenants not to compete as intangible assets (see Note 14), which have an estimated useful life of 3 years each, and as such are being amortized monthly over that period. In addition, we recognized goodwill of \$142,430 that represents the excess of the purchase price we paid over the fair value of Tactical’s net tangible and intangible assets acquired.

Estimated annual future amortization expense as of October 31, 2010 is as follows:

2011	\$	92,427
2012		83,375
2013		80,766
2014		80,766
2015 and thereafter		<u>202,406</u>
Total	\$	<u>539,739</u>

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to \$178,165 and \$231,321 for the years ended October 31, 2010 and 2009, respectively. Goodwill is not being amortized.

As a result of the acquisitions of Martech, Colmek, Dragon and Tactical, the Company has goodwill in the amount of \$3,382,108 as of October 31, 2010 and \$3,524,538 as of October 31, 2009. The changes in the carrying amount of goodwill for the period ended October 31, 2010 and year ended October 31, 2009 are recorded below.

	<u>2010</u>	<u>2009</u>
Beginning goodwill balance at November 1:		
Coda Octopus Colmek, Inc.	\$ 2,038,669	\$ 2,038,669
Coda Octopus Martech Ltd	998,591	998,591
Coda Octopus Products Ltd	62,315	62,315
Goodwill recorded upon acquisition:		
Coda Octopus Tactical Intelligence, Inc.	-	142,430
Dragon Design Ltd	<u>282,533</u>	<u>282,533</u>
Balance at October 31, 2010 and 2009	<u>\$ 3,382,108</u>	<u>\$ 3,524,538</u>

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

As disclosed in the Company’s prior filings, the historic goodwill assets arose chiefly from the acquisition of two wholly owned subsidiaries that comprise the Company’s professional services reporting units- Martech and Colmek.

The Company performed its regular impairment test according to the pronouncements in ASC 350 “ Intangibles – goodwill and other” for the years ended October 31, 2010 and 2009 by an experienced consultant.

During the year ended October 31, 2010, the Company impaired \$142,430 goodwill related to Coda Octopus Tactical Intelligence, Inc.

There has been no change in the regulatory or legal environment that would have a negative impact on the Martech or Colmek’ operations.

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

See Note 16 of the Consolidated Financial Statement for current information on the operations of Dragon Design Limited and Coda Octopus Tactical Intelligence, Inc.

NOTE 8 - STOCKHOLDERS’ EQUITY

The Company is authorized to issue 150,000,000 shares of common stock with a par value of \$0.001 per share. As of October 31, 2010 and 2009, the Company has issued and outstanding 60,614,958 shares and 49,000,244 shares of common stock respectively. 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 have designated 50,000 preferred shares as Series B preferred stock. The remaining 4,900,000 shares of preferred stock is undesignated. There were 6,287 Series A preferred shares outstanding at October 31, 2010 and 2009 respectively, and nil Series B preferred shares outstanding at the same dates.

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Series A Preferred Stock

We designated 50,000 shares of our preferred stock, par value \$0.001, as Series A Preferred Stock. The Series A Preferred Stock ranks senior to all classes of common and preferred stock and has no liquidation preference above par. The Series A Preferred Stock is sold as units of \$100 (or £100 where stock has been sold to investors in British Pounds) and has a dividend rate of 12% per year, i.e. \$12 per \$100 unit, paid every six months, in May and November each year. The Series A Preferred Stock and accrued dividends is convertible at the option of the holder into shares of our common stock at a conversion price of \$1.00 per share, and at the option of the Company when the stock price reaches or exceeds \$3.00.

During the year ended October 31, 2008, we issued 200 shares of Series A Preferred Stock, which were subscribed for in March 2007 and converted 320 shares of Series A Preferred Stock into 32,000 shares of common stock. The original transaction was concluded in GBP at a price of £32,000. The fixed exchange rate at which the Preferred Stock was issued is \$1.77 to GBP 1.00. This is equivalent to 320 Series A Preferred Stock (GBP 100 each). 320 units of Series A Preferred Stock were issued in exchange for consultancy services provided by a consultant to the Company. The total of Series A preferred stock outstanding is 6,287 shares at October 31, 2010 and 2009, convertible into 1,013,670 shares of common stock.

The Company has not paid any dividends on the Series A preferred stock as the Board of Directors have concluded that Delaware law states that dividends can only be declared when there is funds available in the Company to pay such dividends. The Company's financial state does not allow such payments to take place.

See Note 16 of the Consolidated Financial Statement for current information relating to Series A Preferred Stock.

Series B Preferred Stock

We designated 50,000 shares of our preferred stock, par value \$0.001, as Series B Preferred Stock. The Series B Preferred Stock ranks junior to our issued and outstanding Series A preferred Stock and senior to all classes of common stock. The Series B Preferred Stock has a dividend rate of 8% per year. The Series B Preferred Stock and accrued dividends are convertible at the option of the holder into shares of our common stock at a conversion price of \$1.00 per share. As of October 31, 2010 and 2009 respectively, we have no shares of Series B Preferred Stock outstanding.

See Note 16 of the Consolidated Financial Statement for current information relating to Series B Preferred Stock.

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Common Stock

During the year ended October 31, 2010 we issued 375,000 shares of common stock valued at \$27,000 to employees, consultants for services.

During the year ended October 31, 2010 we issued 11,239,714 shares of common stock valued at \$275,877 to 8 purchasers of the securities in April and May 2007 in exchange for cancellation of their warrants and cancellation of the securities purchase agreements as they pertain to the said purchasers.

During the period ending October 31, 2009 we issued 146,580 shares of common stock, valued at \$30,310, to employees, directors and consultants for services, of which \$11,790 was subscribed for during the year ending October 31, 2008, leaving a charge for compensation in the period ending October 31, 2009 of \$18,520.

See Note 16 of the Consolidated Financial Statement for current information on Common Stock in issue as of the date of this annual report.

Other Equity Transactions

During the year ended October 31, 2009, we issued 50,000 common share purchase options in relation to the Tactical acquisition. During the year ended October 31, 2009, there were also 210,000 options cancelled connected with staff departures, of which 95,000 were exercisable. However, options issued in earlier periods vested, resulting in a charge of \$24,771 and \$295,853 during the years ended October 31, 2010 and 2009, respectively.

CODA OCTOPUS GROUP, INC.
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NOTE 9 - WARRANTS AND STOCK OPTIONS

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

Warrants	Year ended October 31, 2010		Year ended October 31, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of the period	32,583,418	\$ 1.42	32,583,418	\$ 1.42
Granted during the period	-	-	-	-
Terminated during the period	(8,464,000)	1.28	-	-
Outstanding at the end of the period	24,119,418	\$ 1.47	32,583,418	\$ 1.42
Exercisable at the end of the period	24,119,418	\$ 1.47	32,583,418	\$ 1.42

The number and weighted average exercise prices of warrants outstanding as of October 31, 2010 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
\$0.50	250,000	0.50	250,000
0.58	400,000	0.41	400,000
1.00	350,000	0.82	350,000
1.30	11,559,709	1.14	11,559,709
\$1.70	11,559,709	1.14	11,559,709
Totals	24,119,418	1.17	24,119,418

Stock Options	Year ended October 31, 2010		Year ended October 31, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of the period	5,595,900	\$ 1.18	5,755,900	\$ 1.18
Granted during the period	50,000	1.05	50,000	1.30
Terminated during the period	(4,106,000)	1.16	(210,000)	1.32
Outstanding at the end of the period	1,539,900	\$ 1.19	5,595,900	\$ 1.18
Exercisable at the end of the period	1,539,900	\$ 1.19	5,214,149	\$ 1.17

The number and weighted average exercise prices of stock purchase options outstanding as of October 31, 2010 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
\$1.00	839,900	0.38	839,900
1.05	50,000	4.60	50,000
1.30	375,000	2.76	375,000
1.50	65,000	1.42	65,000
\$1.70	210,000	1.66	210,000
Totals	1,539,900	1.32	1,539,900

There is no intrinsic value to the option exercisable as of October 31, 2010.

See Note 16 of the Consolidated Financial Statement for current information on the status of Warrants and Stock Options.

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NOTE 10 - DERIVATIVE LIABILITY

In June 2008, the FASB issued new accounting guidance (FASB ASC 815-40) which requires entities to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock by assessing the instrument's contingent exercise provisions and settlement provisions. Instruments not indexed to their own stock fail to meet the scope exception of ASC 815 and should be classified as a liability and marked-to-market. The statement is effective for fiscal years beginning after December 15, 2008 and is to be applied to outstanding instruments upon adoption with the cumulative effect of the change in accounting principle recognized as an adjustment to the opening balance of retained earnings. The Company has assessed its outstanding equity-linked financial instruments and has concluded that, effective November 1, 2009, the value of our warrants will need to be recorded as a derivative liability due to the fact that the conversion price is subject to adjustment based on subsequent sales of securities. The cumulative effect of the change in accounting principle on November 1, 2009 includes an increase in our derivative liability related to the fair value of the conversion feature of \$3,306,805. Fair value at November 1, 2009 was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.36%-1.44%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 302.22%; (4) an expected life of the warrants of 1.41-3.32 years and (5) estimated fair value of common stock of \$0.08 per share.

At October 31, 2010 we recalculated the fair value of the conversion feature subject to derivative accounting and have determined that the fair value is \$473,384. The fair value of the conversion features was determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.22-0.51%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 304.22%; (4) an expected life of the conversion feature of 0.41-2.32 years and (5) estimated fair value of common stock of \$0.0036 per share.

During the years ended October 31, 2010, the Company recorded income of \$2,557,546, related to the change in the fair value of the derivative

	October 31, 2010
Balance, beginning of year	\$ -
Additions	3,306,807
Extinguished derivative liability	(275,877)
Change in fair value of derivative liabilities	(2,557,546)
Balance, end of year	\$ 473,384

See Note 16 of the Consolidated Financial Statement for current information on Warrants.

NOTE 11 - INCOME TAXES

The Company has adopted FASB ASC Topic 740 Income Taxes which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

For income tax reporting purposes, the Company's aggregate U.S. unused net operating losses \$28,256,404 which expire through 2029, subject to limitations of Section 382 of the Internal Revenue Code, as amended. The deferred tax asset related to the carry forward is \$9,607,177. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, because in the opinion of management based upon the earning history of the Company, it is more likely than not that the benefits will not be realized.

For income tax reporting purposes, the Company's aggregate UK unused net operating losses \$4,364,843, with no expiration. The deferred tax asset related to the carry-forward is approximately \$1,823,000. The Company has provided a valuation reserve against the full amount of the benefits, because in the opinion of management based upon the earning history of the Company, it is more likely than not that the benefits will not be realized.

Income tax expense for 2009 represents income taxes on our Norwegian subsidiary.

Components of deferred tax assets as of October 31, 2010 and 2009 are as follows:

Non-Current	2010	2009
Net operating losses carried forward	\$ 9,607,177	\$ 17,736,000
Valuation allowance	(9,607,177)	(17,736,000)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company follows FASB ASC 740-10-25 (Previously known as: Financial Accounting Standards Board interpretation No. 48 Accounting for Uncertainty in Income Taxes). As a result of the implementation of FASB ASC 740-10-25, the Company recognized no adjustment for unrecognized tax provisions.

The Company recognizes interest and penalties related to uncertain tax positions in general and administrative expense. As of October 31, 2010 and 2009, the Company has not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

By statute, tax years 2008 through 2010 remain open to examination by the major taxing jurisdictions to which the Company is subject.

NOTE 12 - CONTINGENCIES AND COMMITMENTS

Litigation

For the purpose of this disclosure, the 2010 period means November 1, 2009 through to and including October 31, 2010.

In the 2010 period we were engaged in three lawsuits.

The first one involves the former Chief Executive Officer (as the Plaintiff) of our wholly owned subsidiary Coda Octopus Colmek, Inc ("Colmek") and Colmek as the Defendant. The Plaintiff alleged breach of his employment agreement with the Defendant. This litigation was settled in full by the parties on or around September 29, 2010 and all actions filed in court were dismissed by consent.

The second action involved Federal Engineering and Marketing Associates Inc. (FEMA) a Colorado corporation (Plaintiff) who acted as sales representative of our wholly owned subsidiary, Coda Octopus Colmek Inc ("Colmek") and the said Colmek as Defendant. The Plaintiff claimed breach of contract. This litigation was fully settled by the parties on or around January 14, 2011 and all actions filed in court were dismissed by consent.

On April 28, 2010 we instituted legal action in the Supreme Court of the State of New York against 4 former employees. These actions were settled in full between November 2010 and January 2011 and all actions filed in court were dismissed by consent.

During 2009, the Company made provision for certain liabilities for claims against the Company. During 2010, those amounts were written down to the actual amounts as they became known. This write down resulted in a gain recorded in Other Income of \$694,510 during the year ended October 31, 2010.

See Note 16 of the Consolidated Financial Statement for current information on litigation.

We may become subject to other legal proceedings and claims, which arise in the ordinary course of our business. Although occasional adverse decisions or settlements may occur, we believe that the final disposition of any matters should not have a material adverse effect on our financial position or results of operations.

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Factoring Agreement

On March 16, 2009, the Company and the holder of the secured convertible debenture (“The Noteholder”) entered into a Cash Control Framework Agreement, pursuant to which it is assumed that, subject to the Company being fully compliant with the terms of this agreement and those set out in the Transaction Documents entered into between the Company and the Noteholder on February 21, 2008, no adverse actions will be taken by the Noteholder. The agreement provides, among other things, for the placement of approximately \$2.15 million into a segregated cash account. Under the terms of the agreement, we may request the release of funds from the account from time to time for working capital purposes, subject to the Noteholder’s consent and agreed upon terms and conditions. Under the terms of the agreement, we must also adhere to a strict cost cutting program which involves reducing our SG&A, R&D and capital expenditure by an annualized \$3.35 million.

This agreement was extended for a further period of one year, expiring on March 16, 2009. On January 18, 2010, the noteholder notified us in writing that it had waived its right to demand repayment of the loan as a result of our failure to observe certain specified loan covenants. The agreement was extended for a further period of 12 months and now expires on March 16, 2011. We believe that the terms of this agreement may provide us with sufficient liquidity to operate for fiscal 2011.

On or around August 23, 2010, the Company failed to make a scheduled interest payment under the senior convertible debentures. This constituted an event of default under the Loan Note Instrument and the Cash Control Framework Agreement resulting in the Noteholder making a demand for the special purpose amount of \$6,000,000 which was advanced to the Company for an approved acquisition under the original Loan Note Instrument and for which it had failed to make.

See Note 16 of the Consolidated Financial Statement for current information on the Cash Control Framework Agreement.

Company Voluntary Arrangement (CVA)

On or around October 18, 2010 our subsidiary, Coda Octopus Martech, entered into an arrangement under which it was agreed to re-schedule £503,335 an equivalent of \$807,000 (using an exchange rate of 1.6035) amounts to trade creditors. Under the CVA this amount was scheduled to be repaid over 4 years.

See Note 16 of the Consolidated Financial Statement for current information on the CVA.

Operating Leases

We occupy our various office and warehouse facilities pursuant to both term and month-to-month leases. Our term leases expire at various times through September 2015. Future minimum lease obligations are approximately \$1,331,228, with the minimum future rentals due under these leases as of October 31, 2010 as follows:

2011	\$	313,587
2012		306,360
2013		296,527
2014		250,084
2015 and thereafter		<u>164,670</u>
Total	\$	<u>1,331,228</u>

Concentrations

During the year ended October 31, 2010, the company had one customer generate sales greater than 10% of total revenue. Sales to this customer were \$2,434,524, or 21% of total revenues during the year. We had no sales concentrations of over 5% during the year ended 2009.

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2010 and 2009

NOTE 13 - NOTES AND LOANS PAYABLE

A summary of notes and loans payable at October 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
The Company has a secured convertible debenture for \$12M with a life of 7 years from February 26, 2008, maturing at 130% of face value, and with interest payable every six months, starting in February 2009, at a rate of 8.5%; During the term, the debentures are convertible into our common stock at the option of the Noteholders at a conversion price of \$1.05. We may also force the conversion of these Notes into our common stock after two years in the event that we obtain a listing on a national exchange and our stock price closes on 40 consecutive trading days at or above \$2.50 between the second and third anniversaries of this agreement; \$2.90 between the third and fourth anniversaries of this agreement; and \$3.50 after the fourth anniversary of this agreement or where the daily volume weighted average price of our stock as quoted on OTCBB or any other US National Exchange on which our securities are then listed has, for at least 40 consecutive trading days closed at the agreed price. The Company has failed to comply with certain covenants contained in the debenture agreement but the Noteholder has agreed to waive the consequences	\$ 13,972,214	\$ 13,067,929
Pursuant to the terms of an invoice financing agreement with an Affiliate the Company received advances against certain invoices and contracts in exchange for the payment of 20% of the invoice or contract value.	451,302	-
The Company, through its UK subsidiary Coda Octopus Products Ltd has a 7 year unsecured loan note for £100,000; interest rate of 12% annually; repayable at borrower's instigation or convertible into common stock when the share price reaches \$3.	<u>160,350</u>	<u>165,594</u>
Total	\$ 14,583,866	\$ 13,233,523
Less: current portion	<u>(14,423,516)</u>	<u>-</u>
Total long-term portion	\$ <u>160,350</u>	\$ <u>13,233,523</u>

CODA OCTOPUS GROUP, INC.
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In connection with the secured convertible debenture noted above and the Cash Control Framework Agreement (see below), we carried \$1,271,170 deferred financing costs as an asset on the consolidated balance sheet at October 31, 2009, which represents \$1,694,893 in financing closing costs we incurred, net of \$423,723 in amortization expense at October 31, 2009. During the year ended October 31, 2010 and 2009, deferred financing cost of \$1,271,170 and \$242,128, respectively was written off to expense.

On March 16, 2009, the Company and the holder of the secured convertible debenture (“the Noteholder”) entered into a Cash Control Framework Agreement, pursuant to which it is assumed that, subject to the Company being fully compliant with the terms of this agreement and those set out in the Transaction Documents entered into between the Company and the Noteholder on February 21, 2008, no adverse actions will be taken by the Noteholder. The agreement provides, among other things, for the placement of approximately \$2.15 million into a segregated cash account. Under the terms of the agreement, we may request the release of funds from the account from time to time for working capital purposes, subject to the Noteholder’s consent and agreed upon terms and conditions. Under the terms of the agreement, we must also adhere to a strict cost cutting program which involves reducing our SG&A, R&D and capital expenditure by an annualized \$3.35 million.

On January 18, 2011, the noteholder notified us in writing that it had waived its right to demand repayment of the loan as a result of our failure to observe certain specified loan covenants. The agreement was extended for a further period of 12 months and now expires on March 16, 2012. During the extension period, parties closed the facility in March 2011. We believe that the terms of this agreement may provide us with sufficient liquidity to operate for fiscal 2011.

On or around July 2010 the Company entered into a Financing Agreement with an affiliate of CCM Holdings, Fort Advisors LLC under which Fort Advisors agreed to make advances of up to \$500,000 against certain invoices and contracts for which the Company paid 20% against each invoice that was financed.

See Note 16 of the Consolidated Financial Statement for current information on the Cash Control Framework Agreement and the breaches of covenants disclosed in the paragraph immediately above.

NOTE 14 - ACQUISITIONS

Acquisition of Tactical Intelligence

In November 2008, the Company formed a new subsidiary called Coda Octopus Tactical Intelligence, Inc. (“Tactical”) to facilitate our entry into the counter-terrorism and anti-piracy training markets, which we believe are integral to our efforts to help major customers deploy real time 3D sonar systems in hot spots around the world. On November 10, 2008, Tactical acquired the assets of Tactical Intelligence International, LLC and Tactical Executive Services, LLC, which consisted of some plant and machinery, valued at \$5,000, customer relationships, valued at \$60,000, non-compete agreements, valued at \$50,000, and goodwill, valued at \$142,430. The purchase price consisted of an initial cash outlay of \$125,000, a convertible promissory note in the amount of \$125,000 due on November 10, 2009, and 50,000 options to acquire common shares of Coda Octopus Group, Inc., which were due to be issued in June 2009. As part of the transaction we acquired the services of two specialists in the field of real world security training for domestic and international military units and government agencies to spearhead this drive. These individuals have designed or led more than 50 such training programs throughout the world since September 11, 2001, using up to 100 freelance specialists on a contract basis. The expertise of this part of the Group will be used to leverage our Echoscope and UIS capabilities in sales and training.

The acquisition of Tactical was accounted for using the purchase method in accordance with ASC 805. The results of operations for Tactical have been included in the Consolidated Statements of Operations since the date of acquisition. In accordance with ASC 805, the total purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed. The estimate of fair value of the assets acquired was based on management’s estimates. The total purchase price was allocated to the assets and liabilities acquired as follows:

Equipment, net	\$	5,000
Customer relationships acquired		60,000
Non-compete agreements acquired		50,000
Goodwill		142,430
Total purchase price	\$	257,430

The intangible assets acquired consisted of customer relationships and non-compete agreements, which have an estimated useful life of 3 years each and as such will be amortized monthly over those periods. Goodwill of \$142,430 represented the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. During the year ended October 31, 2010, the Company fully impaired goodwill.

See Note 16 of the Consolidated Financial Statement for current information on the status of Tactical Intelligence LLC.

Acquisition of Dragon Design Ltd

In December 2008, the Company acquired all of the issued and outstanding shares of Dragon Design Ltd (“Dragon”), an electronics manufacturing and design business based in Weymouth, UK, and situated next to our Martech subsidiary. Management believes the companies have complementary skills and capabilities that can enhance revenues and opportunities for both companies. The purchase price for the assets consisted of an initial cash outlay of £56,250 (\$83,000) and a further £56,250 in deferred consideration, payable on the first anniversary of closing. The terms of the acquisition also included a potential earn out payment of £112,500, which is dependent on Dragon meeting future agreed performance criteria, that has also been accrued on the acquisition date.

The acquisition of Dragon was accounted for using the purchase method in accordance with ASC 805. The results of operations for Dragon have been included in the Consolidated Statements of Operations since the date of acquisition. In accordance with ASC 805, the total purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed. The estimate of fair value of the assets acquired was based on management’s estimates. The total purchase price was allocated to the assets and liabilities acquired as follows:

Current assets acquired	\$	147,039
Equipment, net		51,336
Current liabilities assumed		(201,166)
Customer relationships acquired		29,740
Non-compete agreements acquired		29,740
Goodwill		282,533
Cash acquired		877
Total purchase price	\$	340,099

See Note 16 of the Consolidated Financial Statement for current information on the status of Dragon Design Limited.

CODA OCTOPUS GROUP, INC.
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The intangible assets acquired, comprising customer relationships and non-compete agreements, have an estimated useful life of 3 years each and as such will be amortized monthly over those periods. Goodwill of \$282,533 represented the excess of the purchase price over the fair value of the net tangible and intangible assets acquired.

NOTE 15 - SEGMENT INFORMATION

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. Martech, Dragon, Colmek, Tactical and Innalogic operate as contractors, and the balance of our operations is 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 between our engineering contracting businesses and our products businesses, which have been removed from the information shown below.

The following table summarizes asset and operating balances by reportable segment.

	October 31, 2010			October 31, 2009		
	Contracting	Products	Corporate	Contracting	Products	Corporate
Current assets, excl. interco.	\$ 2,365,546	\$1,996,444	\$ 1,324,982	\$ 3,033,658	\$2,706,461	\$ 1,636,319
Property and equipment, net	18,131	62,221	34,117	98,277	99,131	70,556
Deferred financing costs	-	-	-	-	-	1,271,170
Goodwill	3,037,260	369,945	-	3,462,224	62,315	-
Other intangible assets	445,644	-	68,998	640,928	-	56,341
Total assets	5,866,581	2,428,610	1,428,097	7,235,301	2,867,907	3,034,386
Current liabilities, excl. interco.	2,791,350	2,953,940	16,854,297	3,062,818	1,253,173	3,502,967
Long term liabilities	-	160,350	-	-	165,594	13,067,929
Total liabilities	2,791,350	3,114,290	16,854,297	3,062,818	1,418,767	16,570,896
Capital expenditure	-	-	-	7,825	32,747	7,186
	Year ended October 31, 2010			Year ended October 31, 2009		
Revenues	\$7,152,989	\$ 4,352,223	\$ 4,721	\$ 8,355,041	\$4,869,393	\$ -
Gross profit (loss)	2,859,903	2,469,676	4,721	3,033,337	3,875,137	-
Research and development	-	1,762,035	-	2,240,189	412,524	-
Selling, general & administrative	2,918,173	2,931,157	533,268	2,493,261	1,679,450	6,824,122
Stock based compensation	-	*51,771	-	73,305	-	217,417
Depreciation & amortization	*316,472	*66,795	*33,182	311,246	98,677	279,821
Total operating expenses	2,918,173	4,693,192	533,268	4,733,450	2,091,974	6,824,122
Operating income (loss)	(58,270)	(2,223,516)	(528,547)	(1,700,113)	1,783,163	(6,824,122)
Other income	1,636	916,363	833,478	343,834	(153,494)	11,408
Interest expense	(130,307)	(91,562)	(1,783,967)	(184,396)	(27,722)	(1,634,765)
Amortization of deferred financing costs	-	-	(1,271,170)	-	-	(242,128)
Impairment of investment	-	-	-	-	-	(782,595)
Gain on change in fair value of derivative liability	-	-	2,557,546	-	-	-
Net income (loss) before income taxes	\$ (186,941)	\$(1,398,715)	\$ (192,660)	\$(1,540,675)	\$1,601,947	\$(9,472,202)

*) These amounts are included in the amounts stated for Selling, general and administrative

CODA OCTOPUS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2009 AND 2008

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

- * United States
- * Europe

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 years ended October 31, 2010 and 2009 respectively:

	<u>2010</u>	<u>2009</u>
Revenues:		
United States	\$ 5,791,411	\$ 5,939,535
Europe	5,718,522	7,284,899
Corporate and other	-	-
Total Revenues	<u>\$ 11,509,933</u>	<u>\$ 13,224,435</u>
Assets:		
United States	\$ 4,029,742	\$ 5,882,644
Europe	5,006,304	4,220,350
Corporate and other	687,242	3,034,386
Total Assets	<u>\$ 9,723,288</u>	<u>\$ 13,137,380</u>

NOTE 16 - SUBSEQUENT EVENTS

The significant events that have occurred from November 1, 2010 through to and including the date of this report are set out below:

The Cash Control Framework Agreement referred to in Note 2, 12 and 13 of the Consolidated Financial Statement and elsewhere in this annual report was terminated on or around March 2011. As a consequence we no longer hold any Restricted cash and to this extent Note 4 is nil as of the date of this report for Restricted Cash.

Short Term Investment referred to in Note 4 of the Consolidated Financial Statement was written down to nil in fiscal year 2014.

The business operations of Dragon Design Limited referred to in Note 7 and 14 of the Consolidated Financial Statement and elsewhere in the annual report were transferred to Coda Octopus Martech Limited in the fiscal year 2011 and this trading entity was dissolved in the said fiscal year.

The business operations of Tactical Intelligence LLC referred to in Note 7 and 14 of the Consolidated Financial Statement and elsewhere in the annual report ceased in the fiscal year 2011 and the trading name Tactical Intelligence LLC was transferred to the original seller on or around the said fiscal year.

The business operations of Innalogic referred to in Note 14 of the Consolidated Financial Statement and elsewhere in this annual report ceased operations in the fiscal year of 2011.

The Series A Preferred Stock referred to in Note 8 of the Consolidated Financial Statement and elsewhere in the annual report were, on exchanged for Series C pursuant to the terms of an Exchange Agreement entered into between the Company and the Holder of the Series A on or around June 30, 2015. 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, a newly created class of Series C. These shares of Series C Preferred Stock each have a nominal value of \$0.001 and a stated value of \$1,000. The Certificate of Designation for the Series C Preferred Stock does not provide for dividends or voting rights. The 6,087 units of Series A Preferred Stock were surrendered and cancelled by the Company. The Series A Preferred Stock was eliminated as a class on or around January 5, 2016.

On December 15, 2015 the Company repurchased the remaining issued and outstanding 200 shares of Series A Preferred Stock and these have been surrendered and retired. The Series A Preferred Stock was subsequently eliminated.

Series B Preferred Stock referred to in Note 8 of the Consolidated Financial Statement and elsewhere in the annual report was also eliminated as a class in August 2016.

All Warrants and Stock Options referred to in Note 9 of the Consolidated Financial Statement or elsewhere in this annual report have either been exchanged for Common Stock or expired by their terms. At the date hereof the Company has no warrants or options outstanding as a consequence for Warrant Liability in Note 4 of Consolidated Financial Statement and elsewhere in the annual report this should be read as nil at the date of this report. .

All litigation referred to in Note 12 of the Consolidated Financial Statement or elsewhere in the annual report has been settled in full and all court actions dismissed by consent.

The CVA mentioned in Note 12 of the Consolidated Financial Statement and elsewhere in this annual report was discharged in full on March 26, 2014

With the exception of the amounts due in respect of the senior convertible debentures referred to in Note 13 of the Consolidated Financial Statement and elsewhere in this annual report, the amounts referred to in Note 13 under Loans Payable (\$451,302 and \$160,350) have been repaid in full.

The secured convertible debentures referred to in Note 13 (Notes and Loans Payable) and elsewhere in this annual report (are freely transferrable by their terms) are currently held by CCM Holdings, LLC, a company organized under the laws of New Jersey. CCM Holdings is the registered holder of 22.5% of the Company's issued and outstanding shares of common stock.

Pursuant to an agreement between the Company and debenture holder, the debentures were restructured as follows:

- The maturity date of the Notes was extended to November 1, 2017;
- The Company has agreed to reduce the principal amount outstanding under the Notes by \$2,000,000 payable in 10 equal monthly payments commencing March 31, 2016. The Company is current in this obligation.
- On March 1, 2016, the Company issued 32,346,682 shares of its common stock in extinguishment of \$3,558,136 (the redemption premium which accrued under the said debentures) due under the Notes at an effective price per share of \$0.11; and
- The Company has agreed to return to filing reports under the Securities Exchange Act of 1934 before March 1, 2017.

As of October 31, 2015, the principal balance plus accrued interest and accrued conversion premium under the Notes was \$14,940,258.

As a result of the restructuring, as of April 30, 2016, the total balance outstanding under the Notes had been reduced to \$11,180,706. This amount includes both principal and interest.

As of the date of this annual report the Company is current with its obligations under the senior convertible debentures and no event of default exists.

Share Issuances

During the period ending January 31, 2011, we issued 16,826,715 shares of common stock valued at \$279,963 ("Issuance"). Of this issuance, 750,000 shares of common stock were issued to a consultant for services rendered and the remainder was issued to a number of investors who had purchased certain securities pursuant to the terms of a series of Securities Purchase Agreement entered into between April and May 2007 in exchange for (i) surrender of their existing warrants and (ii) termination of the rights and obligations under the Securities Purchase Agreement.

On or around November 2010, we cancelled 3,428,571 shares of the Company's common stock which were issued erroneously in the period ending October 31, 2010.

In the fiscal year 2011 we retired 207 shares of common stock. These were repurchased by the Company.

On January 25, 2011, the Company issued a total of 26,765 shares of common stock to three members of staff.

On May 4, 2011, the Company issued 300,000 shares of common stock to an advisor for services rendered.

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

On July 26, 2012, the Company issued 15,315,316 shares of common stock to Solidor Investments Limited (the, then debenture holder (now transferred to CCM Holdings LLC) in consideration for the restructuring of the obligations under the Senior Debentures (postponing coupon and forgiving default interest obligations) and in exchange for the settlement of outstanding interest on the Debentures of \$1,020,000.

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

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

On March 1, 2016, the Company issued 32,346,682 shares of its common stock to CCM Holdings, LLC in extinguishment of \$3,558,136 (the redemption premium which accrued under the senior secured debentures).

During May through to August 2016, the Company issued 100,000 to each of six members of the Board of Directors for their services performed as directors.

In June 2016, the Company issued an aggregate of 112,500 shares valued at \$0.093 per share to two individuals for services rendered.

As of the date of this annual report, the Company has 127,078,395 shares of common stock issued and outstanding.

CODA OCTOPUS GROUP, INC.

**CERTIFICATE OF DESIGNATION OF PREFERENCES,
RIGHTS AND LIMITATIONS
OF
SERIES C CONVERTIBLE PREFERRED STOCK**

PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW

The undersigned, Anmarie Gayle, does hereby certify that:

1. She is the Chief Executive Officer of Coda Octopus Group, Inc., a Delaware corporation (the "Corporation").

2. The Corporation is authorized to issue 5,000,000 shares of preferred stock, 50,000 of which have been designated as Series A Convertible Preferred Stock and 6,287 of which have been issued, and 50,000 of which have been designated as Series B Convertible Preferred Stock, none of which have been issued.

3. The following resolutions were duly adopted by the board of directors of the Corporation (the "Board of Directors"):

WHEREAS, the certificate of incorporation of the Corporation provides for a class of its authorized stock known as preferred stock, consisting of 5,000,000 shares, \$0.001 par value per share, issuable from time to time in one or more series;

WHEREAS, the Board of Directors is authorized to fix the dividend rights, dividend rate, voting rights, conversion rights, rights and terms of redemption and liquidation preferences of any wholly unissued series of preferred stock and the number of shares constituting any series and the designation thereof, of any of them; and

WHEREAS, it is the desire of the Board of Directors, pursuant to its authority as aforesaid, to fix the rights, preferences, restrictions and other matters relating to a series of the preferred stock, which shall consist of 1,100 shares of the preferred stock (to be designated as "Series C Preferred Stock") which the Corporation has the authority to issue, as follows:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide for the issuance of a series of preferred stock for cash or exchange of other securities, rights or property and does hereby fix and determine the rights, preferences, restrictions and other matters relating to such series of preferred stock as follows:

TERMS OF THE SERIES C PREFERRED STOCK

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 of the Securities Act.

“Alternate Consideration” shall have the meaning set forth in Section 7(e).

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Corporation, by contract or otherwise) of in excess of 33% of the voting securities of the Corporation (other than by means of conversion or exercise of Preferred Stock and the Securities issued together with the Preferred Stock), (b) the Corporation merges into or consolidates with any other Person, or any Person merges into or consolidates with the Corporation and, after giving effect to such transaction, the stockholders of the Corporation immediately prior to such transaction own less than 66% of the aggregate voting power of the Corporation or the successor entity of such transaction, (c) the Corporation sells or transfers all or substantially all of its assets to another Person and the stockholders of the Corporation immediately prior to such transaction own less than 66% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a one year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the Original Issue Date), or (e) the execution by the Corporation of an agreement to which the Corporation is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Closing” means the issuance of the Preferred Stock pursuant to the Exchange Agreement.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the Corporation’s common stock, par value \$0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Corporation or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Conversion Amount” means the sum of the Stated Value at issue.

“Conversion Date” shall have the meaning set forth in Section 6(a).

“Conversion Price” shall have the meaning set forth in Section 6(b).

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Preferred Stock in accordance with the terms hereof.

“Exchange Agreement” means the Exchange Agreement, dated June 30, 2015, pursuant to which the Holder and the Company have agreed to exchange shares of the Company’s outstanding Series A Convertible Preferred Stock for the Preferred Stock.

“Fundamental Transaction” shall have the meaning set forth in Section 7(b).

“Holder” shall have the meaning given such term in Section 2.

“Liquidation” shall have the meaning set forth in Section 5.

“Notice of Conversion” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of any shares of the Preferred Stock regardless of the number of transfers of any particular shares of Preferred Stock and regardless of the number of certificates which may be issued to evidence such Preferred Stock.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Preferred Stock” shall have the meaning set forth in Section 2.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Share Delivery Date” shall have the meaning set forth in Section 6(c).

“Stated Value” shall have the meaning set forth in Section 2, as the same may be increased pursuant to Section 3.

“Subsidiary” means any subsidiary of the Corporation, including any direct or indirect subsidiary of the Corporation formed or acquired after the date hereof.

“Successor Entity” shall have the meaning set forth in Section 7(e).

“Trading Day” means a day on which the principal Trading Market is open for business.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTCQB Market operated by OTC Markets Group Inc., the OTCQX Market operated by OTC Markets Group Inc. or the OTC Pink Market operated by OTC Markets Group Inc. (or any successors to any of the foregoing).

“Transaction Documents” means this Certificate of Designation and the Exchange Agreement, and any other documents or agreements executed in connection with the transactions contemplated by the Exchange Agreement.

“Transfer Agent” means Olde Monmouth Stock Transfer Co., Inc., the current transfer agent of the Corporation with a mailing address of 200 Memorial Pkwy., Atlantic Heights, NJ 07716, and a facsimile number of (732) 872-2728, and any successor transfer agent of the Corporation.

Section 2. Designation, Amount and Par Value. The series of preferred stock shall be designated as its Series C Convertible Preferred Stock (the “Preferred Stock”) and the number of shares so designated shall be 1,100 (which shall not be subject to increase without the written consent of all of the holders of the Preferred Stock (each, a “Holder” and collectively, the “Holders”). Each share of Preferred Stock shall have a par value of \$0.001 per share and a stated value equal to \$1,000, subject to increase as set forth in Section 3 below (the “Stated Value”).

Section 3. Dividends; No Dividends Payable. No dividends shall be paid or shall accrue on shares of Preferred Stock. Additionally, the Corporation shall not pay cash dividends or distributions on Common Stock of the Corporation until the Preferred Shares are no longer outstanding.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by law, the Preferred Stock shall have no voting rights. However, as long as any shares of Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Preferred Stock alter or change adversely the powers, preferences or rights given to the Preferred Stock or alter or amend this Certificate of Designation.

Section 5. Liquidation. Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary (a "Liquidation"), the Holders shall be entitled to receive out of the assets, whether capital or surplus, of the Corporation an amount equal to the Stated Value for each share of Preferred Stock before any distribution or payment shall be made to the holders of any Junior Securities, and if the assets of the Corporation shall be insufficient to pay in full such amounts, then the entire assets to be distributed to the Holders shall be ratably distributed among the Holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

Section 6. Conversion.

a) (i) Conversions at Option of Holder. Each share of Preferred Stock shall be convertible, at any time and from time to time from and after the Original Issue Date at the option of the Holder thereof, into that number of shares of Common Stock determined by dividing the Stated Value of such share of Preferred Stock by the Conversion Price. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of shares of Preferred Stock to be converted, the number of shares of Preferred Stock owned prior to the conversion at issue, the number of shares of Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile such Notice of Conversion to the Corporation (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Corporation is deemed delivered hereunder. To effect conversions of shares of Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Preferred Stock to the Corporation unless all of the shares of Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Preferred Stock promptly following the Conversion Date at issue. Shares of Preferred Stock converted into Common Stock or redeemed in accordance with the terms hereof shall be canceled and shall not be reissued.

(ii) Forced Conversion. The Company may force conversion of the Preferred Stock upon one (1) Trading Days' notice to the Holders if the Common Stock has a closing price (or last trade if no closing price is quoted by the Trading Market) of not less than the then-effective Conversion Price on the principal Trading Market for ten (10) consecutive Trading Days, at any time. Such notice must be given within three (3) Trading Days of the Common Stock closing at the necessary prices.

b) Conversion Price. The conversion price for the Preferred Stock shall equal **\$0.50**, subject to adjustment herein (the “Conversion Price”).

Mechanics of Conversion.

i. Delivery of Conversion Shares Upon Conversion. Promptly following each Conversion Date (the “Share Delivery Date”), the Corporation shall deliver, or cause to be delivered, to the converting Holder Conversion Shares representing the number of Conversion Shares being acquired upon the conversion of the Preferred Stock.

ii. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Preferred Stock as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Preferred Stock), not less than such aggregate number of shares of the Common Stock as shall be issuable upon the conversion of the then outstanding shares of Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

iii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Preferred Stock. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

iv. Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of this Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such shares of Preferred Stock and the Corporation shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

Section 7. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Corporation, at any time while this Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of this Preferred Stock), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Fundamental Transaction: Change of Control. If, at any time while this Preferred Stock is outstanding, (i) the Corporation, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Corporation with or into another Person, (ii) the Corporation, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Corporation, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Corporation, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) or (vi) there is a Change of Control (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Preferred Stock, unless the Corporation has elected to redeem the Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction on the conversion of this Preferred Stock), the number of shares of Common Stock of the successor or acquiring corporation or of the Corporation, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Preferred Stock is convertible immediately prior to such Fundamental Transaction. For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration.

c) Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

d) Notice to the Holders. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

Section 8. Redemption. On the earlier of (i) December 31, 2016 and (ii) the date that the Corporation, at its election, delivers a redemption notice to the Holders (an “Optional Redemption Notice” and the date such notice is deemed delivered hereunder, the “Optional Redemption Notice Date”), the Corporation shall redeem some or all of the then outstanding Preferred Stock for cash in an amount equal to the Stated Value per share (the Optional Redemption Amount”) on the earlier of December 31, 2016 and the 10th Trading Day following the Optional Redemption Notice Date (such date, the “Optional Redemption Date” and such redemption, the “Optional Redemption”). The Optional Redemption Amount is payable in full on the Optional Redemption Date. Any Notices of Conversion tendered after the time of a delivery of the Optional Redemption Notice shall be null and void and of no further force or effect. For the avoidance of doubt, the Corporation shall mandatorily redeem all Preferred Shares in cash for the Stated Value no later than December 31, 2016.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered as provided for in the Exchange Agreement. personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at the address set forth above Attention: **Chief Executive Officer and Chief Financial Officer**, e-mail address annmarie.gayle@codaoctopus.com and mikem@colmek.com or such other facsimile number, e-mail address or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 9. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (London time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (London time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Lost or Mutilated Preferred Stock Certificate. If a Holder's Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation.

c) Governing Law; Fees. All questions concerning the construction, validity, enforcement and interpretation of this Certificate of Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents shall be brought and adjudicated as provided for in the Exchange Agreement. If any party shall commence an action or proceeding to enforce any provisions of this Certificate of Designation, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

d) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Corporation or a Holder must be in writing.

e) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

f) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

g) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

h) Status of Converted or Redeemed Preferred Stock. If any shares of Preferred Stock shall be converted, redeemed or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series C Convertible Preferred Stock.

RESOLVED, FURTHER, that the Chairman, the president or any vice-president, and the secretary or any assistant secretary, of the Corporation be and they hereby are authorized and directed to prepare and file this Certificate of Designation of Preferences, Rights and Limitations in accordance with the foregoing resolution and the provisions of Delaware law.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 30th day of June 2015.

Name:
Title:

Name:
Title:

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES OF PREFERRED STOCK)

The undersigned hereby elects to convert the number of shares of Series C Convertible Preferred Stock indicated below into shares of common stock, par value \$0.001 per share (the "Common Stock"), of Coda Octopus Group, Inc., a Delaware corporation (the "Corporation"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Corporation. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: _____

Number of shares of Preferred Stock owned prior to Conversion: _____

Number of shares of Preferred Stock to be Converted: _____

Stated Value of shares of Preferred Stock to be Converted: _____

Number of shares of Common Stock to be Issued: _____

Applicable Conversion Price: _____

Number of shares of Preferred Stock subsequent to Conversion: _____

Address for Delivery: _____

Or

DWAC Instructions:

Broker no: _____

Account no: _____

[HOLDER]

By: _____

Name:

Title:

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.**

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend Article IV of the Corporation's Certificate of Incorporation by adding at the end of Paragraph A of Article IV the following paragraph:

"The outstanding shares of Common Stock shall be reverse split on a one new share for fourteen old shares basis. Fractional shares resulting from the reverse stock split will be rounded up to the next whole number. The number of authorized shares shall not be affected by the reverse stock split. The effective date of the reverse stock split shall be June 28, 2016"

THIRD: The foregoing amendment was duly adopted by written consent in lieu of a meeting in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware. The vote required was a 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer this 13th day of May, 2016.

CODA OCTOPUS GROUP, INC.

By: */s/ Annmarie Gayle*

Annmarie Gayle
Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
CODA OCTOPUS GROUP, INC.**

Coda Octopus Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that:

FIRST: The name of the Corporation is Coda Octopus Group, Inc.

SECOND: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to amend Article IV of the Corporation's Certificate of Incorporation, as previously amended, by deleting the last four sentences from Paragraph A of Article IV.

THIRD: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article VI of the Corporation's Certificate of Incorporation.

FOURTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article VIII of the Corporation's Certificate of Incorporation.

FIFTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article IX of the Corporation's Certificate of Incorporation.

SIXTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article XII of the Corporation's Certificate of Incorporation.

SEVENTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to delete in its entirety Article XIII of the Corporation's Certificate of Incorporation.

EIGHTH: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions to renumber the following Articles of the Certificate of Incorporation:

<u>Current Number</u>	<u>New Number</u>
VII	VI
X	VII
XI	VIII
XIV	IX

NINTH: Each of the foregoing amendments was duly adopted by written consent in lieu of a meeting in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware. The vote required was a 2/3 of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its President and Chief Executive Officer this 27th day of June, 2016.

CODA OCTOPUS GROUP, INC.

By: _____
Annmarie Gayle
Chief Executive Officer

CERTIFICATE OF ELIMINATION
OF THE
SERIES A PREFERRED STOCK
OF
CODA OCTOPUS GROUP, INC.

that: Pursuant to the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, it is hereby certified

1. The name of the corporation is Coda Octopus Group, Inc. (hereinafter referred to as the "Corporation").
2. The designation of the series of shares of stock of the Corporation to which this certificate relates is "Series A Preferred Stock."

3. Pursuant to Section 151 of the General Corporation Law of the State of Delaware and authority granted in the certificate of incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors of the Corporation previously designated 50,000 shares of preferred stock as Series A Preferred Stock (the "Series A Preferred Stock"), and established the voting powers, designations, preferences, and the relative, participating, optional, or other rights, and the qualifications, limitations, and restrictions of such series as set forth in the Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Coda Octopus Group, Inc. (as subsequently amended by a Certificate of Amendment of Certificate of Designation of Series A Preferred Stock of Coda Octopus Group, Inc., the "Series A Certificate of Designations"), with respect to such Series A Preferred Stock, which Series A Certificate of Designations has been heretofore filed with the Secretary of State of the State of Delaware. None of the authorized shares of Series A Preferred Stock are outstanding and none will be issued subject to the Series A Certificate of Designations.

4. The Board of Directors of the Corporation has duly adopted the following resolutions, which resolutions remain in full force and effect as of the date hereof:

RESOLVED, that none of the authorized shares of Series A Preferred Stock are outstanding, and that none will be issued subject to the Series A Certificate of Designations, and

FURTHER RESOLVED, that pursuant to the authority conferred on the Board of Directors by the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors hereby eliminates the Series A Preferred Stock, and

FURTHER RESOLVED, that the appropriate officers of the Corporation, or any one or more of them, are hereby authorized, in the name and on behalf of the Corporation, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, to execute and file a Certificate of Elimination of the Series A Preferred Stock of Coda Octopus Group, Inc. with the Secretary of State of the State of Delaware, which shall have the effect when filed with the Secretary of State of the State of Delaware of eliminating from the Certificate of Incorporation all matters set forth in the Series A Certificate of Designations with respect to such Series A Preferred Stock, and

FURTHER RESOLVED, that in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Certificate of Incorporation is hereby amended to eliminate all references to the Series A Preferred Stock, and the shares that were designated to such series hereby are returned to the status of authorized but unissued shares of the preferred stock of the Corporation, without designation as to series.

Signed on December 29, 2015

CODA OCTOPUS GROUP, INC.

By: /s/ Annmarie Gayle

Title: Chief Executive Officer

CERTIFICATE OF ELIMINATION
OF THE
SERIES B PREFERRED STOCK
OF
CODA OCTOPUS GROUP, INC.

Pursuant to the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, it is hereby certified that:

1. The name of the corporation is Coda Octopus Group, Inc. (hereinafter referred to as the "Corporation").
2. The designation of the series of shares of stock of the Corporation to which this certificate relates is "Series B Preferred Stock."

3. Pursuant to Section 151 of the General Corporation Law of the State of Delaware and authority granted in the certificate of incorporation of the Corporation (the "Certificate of Incorporation"), the Board of Directors of the Corporation previously designated 50,000 shares of preferred stock as Series B Convertible Preferred Stock (the "Series B Preferred Stock"), and established the voting powers, designations, preferences, and the relative, participating, optional, or other rights, and the qualifications, limitations, and restrictions of such Series B Preferred Stock as set forth in the Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Coda Octopus Group, Inc. (the "Series B Certificate of Designations"), with respect to such Series B Preferred Stock, which Series B Certificate of Designations has been heretofore filed with the Secretary of State of the State of Delaware. None of the authorized shares of Series B Preferred Stock are outstanding and none will be issued subject to the Series B Certificate of Designations.

4. The Board of Directors of the Corporation has duly adopted resolutions, which resolutions remain in full force and effect as of the date hereof, to the effect that that none of the authorized shares of Series B Preferred Stock are outstanding, and that none will be issued subject to the Series B Certificate of Designations; that pursuant to the authority conferred on the Board of Directors by the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors eliminates the Series B Preferred Stock; and that the appropriate officers of the Corporation, or any one or more of them, are hereby authorized, in the name and on behalf of the Corporation, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, to execute and file a Certificate of Elimination of the Series B Preferred Stock of Coda Octopus Group, Inc. with the Secretary of State of the State of Delaware, which shall have the effect when filed with the Secretary of State of the State of Delaware of eliminating from the Certificate of Incorporation all matters set forth in the Series B Certificate of Designations with respect to such Series B Preferred Stock; and that in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Certificate of Incorporation is hereby amended to eliminate all references to the Series B Preferred Stock, and the shares that were designated to such series hereby are returned to the status of authorized but unissued shares of the preferred stock of the Corporation, without designation as to series.

Signed on August __, 2016

CODA OCTOPUS GROUP, INC.

By: /s/ Annmarie Gayle

Title: Chief Executive Officer

DEED OF AMENDMENT TO LOAN NOTE TRANSACTION DOCUMENTS

by and between

CODAOCTOPUS GROUP, INC.,

and

CCM HOLDINGS LLC

Dated: 30 October 2015

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THIS DEED OF AMENDMENT is dated 30 October 2015

Parties

- (1) Coda Octopus Group, Inc., a Delaware corporation, whose principal place of business is at 4020 Kidron Road, Suite #4, Lakeland, Florida 33811 (“**COGI**” or “**Issuer**”); and
- (2) CCM Holdings LLC (a New Jersey limited liability company) with its principal place of business at 376 Main Street, PO Box 74, Bedminster, NJ 07921 (“**CCM**” or “**Noteholder**”)

together “**Parties**” or alone “**Party**”

WHEREAS:-

- (A) COGI issued Loan Note Instrument on or around 21 February, 2008 constituting the issue of USD 12,000,000 Convertible Loan Notes due 21 February 2015 (each Note having a nominal value of USD100,000).
- (B) The due date was extended to August 21, 2016 pursuant to Deed of Amendment between the Parties entered into on or around August 18, 2014.
- (C) The Company redeemed USD 2,000,000 of the Principal Amounts
- (D) The Principal Amount Outstanding as of the date of this Deed is USD 10,000,000.
- (E) In addition to the Principal Amount the Issuer owes the Noteholder certain redemption premium and other interest payment relating to the Notes.
- (F) CCM are the current Noteholder.
- (G) COGI and the Noteholder are desirous of modifying certain definitions and terms of the Transaction Documents including the Loan Note Instrument.

(H) The Transaction Documents provide for all alterations to the terms and conditions of the said Loan Notes to be by consent of the Noteholder.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each Party hereto, the Issuer and the Noteholder agree to the amendments contained herein. The Parties intend that these stated modifications are binding from the Effective Date.

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this Clause apply in this Deed.

Effective Date: means October 30, 2015

Form: an application with the US Securities and Exchange Commission (SEC) in the form of either a Form 10 or Form S-1.

Parties: means COGI and CCM and a “**Party**” either COGI or CCM.

Redemption Premium: The premium payable on the Notes as specified under Clause 3.5 of the Loan Note Instrument and which at the date of this Deed of Amendment is USD 3,558, 135.80 rounded down to USD 3,558,135.

Redemption Amount: the amount required to be paid by the Issuer under clause 4.5 of this Deed and which shall be USD 2,000,000 payable in accordance with clause 4.6 of this Deed.

Transaction Documents: means the Subscription Agreement, the Loan Note Instrument, the Deed of Guarantee, the Debentures, the Floating Charges, the Lock-up Agreements, the Security Agreement, the Confidentiality Agreement, the Intercreditor Deed, and all other documents entered into in connection with any of them (and all of which were entered into on or around 21 February, 2008) and the Deeds of Amendment entered into on April 30, 2012 and August 18, 2014 respectively and this Deed of Amendment.

Trading Market: the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the American Stock Exchange, the Nasdaq Capital Market, The Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or any other similar or equivalent market.

Capitalized terms used in this Deed of Amendment (including in the Preamble) which are not otherwise defined herein shall have the meanings ascribed to such terms in the Transaction Documents.

1.2 Clause and schedule headings do not affect the interpretation of this Agreement.

2. Consent to Amendment

2.1 The Notes and all outstanding obligations provided for under the Transaction Documents fall due on August 21, 2016.

2.2 The Loan Note Instrument provides for modifications to the said Loan Note Instrument and other Transaction Documents to be by consent of the Noteholder and the Issuer.

2.3 By signing this Deed of Amendment the Issuer and the Noteholder consent to the modifications documented in this Deed of Amendment.

2.4 With effect from the Effective Date the Transaction Documents shall be construed as including this Deed of Amendment and the definition of Transaction Documents shall be amended from the Effective Date accordingly.

3. Amendment

AMENDMENT OF DEFINITION OF FINAL MATURITY DATE

3.1 In consideration for the further promises and covenants set out in Clause 4 herein, the Noteholder consents to the Amendment as set out in Clause 3.2.

3.2 The definition of “**Final Maturity Date**” contained in the Amendment to Loan Note Instrument dated 18 August 2014, paragraph 3.1.1 shall be deleted in its entirety and replaced with the following new definition:

“3.1.1. 1 November 2017, or if such date is not a Business Day on the immediately preceding Business Day (“**Final Maturity Date**”)” [END OF AMENDMENT TO 3.1.1.]

4. Further Covenants And Agreement

- 4.1 The Parties agree that the outstanding Redemption Premium only shall be converted into Common Stock at a conversion of price of USD eleven cents. Nothing in this Deed shall be construed as an amendment of the Conversion provisions (Schedule 3) of the Loan Note Instrument which provides for the Conversion of the Notes (not the Redemption Premium) at a Conversion Price of USD 1.05.
- 4.2 The Company shall cause 32,346,682 shares of Common Stock to be issued to CCM in lieu of the Redemption Premium. This issuance shall be no later than March 1, 2016. Upon issuance of the Common Stock, CCM irrevocably accepts this as full and final settlement of the Redemption Premium. The Company’s indebtedness under the Loan Note Instrument thereafter (as of February 10, 2016) shall be USD 10,957,122.18.
- 4.3 The Issuer covenants that it will use all commercially reasonable efforts to file either a Form 10 or Form S-1 within 6 months from 1 March 2016 but in any event no later than twelve (12) months from the 1 March 2016. The Issuer shall do all things that are commercially reasonable and within its powers to cause the said Form to be effective including answering all questions and provide all such information as the SEC may require to consider and declare the Form effective.
- 4.4 Once effective, the Issuer shall use reasonable endeavours to maintain its SEC reporting status for a minimum of five (5) years.

- 4.5 The Issuer covenants to reduce the Principal Amount Outstanding by the Redemption Amount bringing the Principal Amount Outstanding to USD 8,000,000.
- 4.6 The Issuer further covenants to pay the Redemption Amount in ten (10) equal monthly instalment of USD 200,000 with effect from 31 March 2016. The final instalment payment shall be 31 December 2016. Notwithstanding, the Company reserves the right (but not obligation) to clear the Redemption Amount prior to 31 December 2016.
- 4.7 The Issuer covenants to carry on in good faith to seek the timely refinancing of the Principal Amount Outstanding. The Issuer shall provide the Noteholder with quarterly update on progress made in securing the refinancing.
- 4.8 The Issuer covenants that it will use all commercially reasonable efforts to cause the Common Stock to be listed on a Trading Market within 12 to 18 months from 1 March 2016.
- 4.9 The material breach of any of the obligations set out in this Clause 4 shall constitute an Event of Default within the meaning of the Transaction Documents.

5. Representation and Warranties

- 5.1 The Noteholder represents that it is the lawful owner of the Notes and that an Extraordinary Resolution authorising it to enter into this Deed has been passed and duly signed and authorised on or before the date hereof.
- 5.2 The Noteholder further represents that in entering into this Deed of Amendment it has the right, power and authority to do so and more particularly to agree to the modifications of the obligations of COGI under the Loan Note Instrument and no further authorization or consents are required to enter into this Deed of Amendment under which the rights of the Noteholder against COGI are being modified.

6. Binding Effect.

Each of the Parties undertake that they are authorized to enter into this Agreement and when executed will be legally binding on each of the Parties hereto.

7. Incorporation by Reference.

The following provisions contained in the Loan Note Instrument shall be deemed incorporated by reference herein and shall be read and construed as separately and directly applicable to this Agreement:

- (a) Condition 8 (LAW).

8. Further Assurances.

Each of the Parties shall execute such documents and perform such further acts (including, without limitation, obtaining any consents, exemptions, authorizations or other actions by, or giving any notices to, or making any filings with, any governmental authority or any other Person) as may be reasonably required or desirable to carry out or to perform the provisions of this Deed.

9. No Alteration.

All other terms and conditions of the Loan Note Instrument and the Transaction Documents shall remain unaltered.

10. Electronic Signatures and Transmissions

This Deed may be transmitted in electronic format and shall not be denied legal effect because it was formed or transmitted in whole or in part, by electronic means. An electronic, digital or electronically transmitted signature (collectively, "Electronic Signature") will be deemed an acceptable original for purposes of consummating this Deed and binding the party providing such Electronic Signature.

IN WITNESS whereof this Deed has been duly executed the day and year first before written.

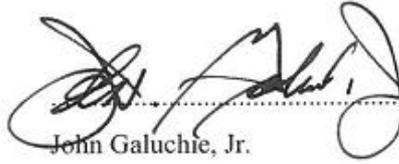
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EXECUTED AS A DEED by Coda
Octopus Group, Inc., acting by
Annamarie Gayle, a director, and Geoff
Turner, a director

ANNMARIE GAYLE
Director

GEOFF TURNER
Director

EXECUTED AS A DEED by CCM
Holdings LLC acting by John W.
Galuchie, Jr. Managing Member, in
the presence of:



John Galuchie, Jr.
Managing Member


.....
Signature of witness

Title: *Executive Assl.*.....

Name: *Piper Sheldon*.....

Address: *376 Main St Bedminster NJ 07921*

EXECUTED AS A DEED by Coda
Octopus Group, Inc., acting by
Annmarie Gayle, a director, and Geoff
Turner, a director



ANNMARIE GAYLE

Director



GEOFF TURNER

Director

EXECUTED AS A DEED by CCM
Holdings LLC acting by John W.
Galuchie, Jr. Managing Member, in
the presence of:

.....

John Galuchie, Jr.
Managing Member

.....

Signature of witness

Title:

Name:

Dated 15 June 2013

Consultancy Agreement

between

Coda Octopus Group, Inc.

and

Pemanaco Limited

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THIS AGREEMENT is dated June 15, 2010

Parties

- (1) Coda Octopus Group, Inc., a Delaware corporation, (“Coda Octopus”), with a headquarters address at 4020 Kidron Road, Suite #4, Lakeland, 33811, Florida, United States of America (**Company**); and
- (2) Pemanaco Limited, a corporation incorporated in England and Wales, with its address at 145-157 St John Street, London, EC1V 4PW, United Kingdom (**Consultant Company**).

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this Clause apply in this Agreement (unless the context requires otherwise).

Board: the board of directors of the Company (including any committee of the board duly appointed by it).

Business: (i) any subsea visualization company or business (incorporated or unincorporated), or (ii) any other business in which Coda Octopus is engaged or is actively planning to engage as of the date of the Termination of this Agreement.

Capacity: as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Cause: means any of the matters set forth in clauses 2.3 (Substitution) and 10.1(a) through to (e) inclusive.

Commencement Date: June 15, 2013

Confidential Information: information which is non-public and (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, financial affairs of the Company or any Group Company for the time being confidential to the Company or any Group Company and trade secrets including, without limitation, technical data and know-how relating to the business and/or products of the Company or any Group Company or any of its or their business contacts, customer data or key staff information.

Convenience: termination of this Agreement by the Company without Cause.

Engagement: the engagement of the Consultant Company by the Company on the terms of this Agreement.

Fees: the monthly amount to be paid by the Company for the Services to be provided by the Individual through the Consultant Company and which are set forth in Clause 6 of this Agreement.

Group Company: the Company, any company of which it is a Subsidiary (its holding company) and any Subsidiaries of the Company or of any such holding company.

Incapacity: any sickness or injury which prevents the Individual from carrying out his duties.

Individual: Annmarie Gayle

Intellectual Property Rights: patents, rights to Inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, rights in designs, rights in computer software, database rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which may now or in the future subsist in any part of the world.

Invention: any invention, idea, discovery, development, improvement or innovation made by the Consultant Company or by the Individual in connection with the provision of the Services, whether or not patentable or capable of registration, and whether or not recorded in any medium.

Management Incentive Scheme: the bonus scheme put in place by the Board of Directors of Coda Octopus Group, Inc. which is intended to incentivise the management to perform the Group's annual business plan and under which a bonus (Stock Grants or Cash) is payable for the achievement of certain performance milestones.

Restricted Business: any business which competes with the Business at the relevant point in time

Restricted Customer: any firm, company or person who, during the 6 months prior to Termination, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Consultant or the Individual had contact or about whom he became aware or informed in the course of his engagement under this Agreement.

Restricted Person: anyone employed or engaged by the Company or any Group Company and who could materially damage the interests of the Company or any Group Company if they were involved in any Capacity in any business concern which competes with any Restricted Business and with whom the Consultant Company or Individual dealt in the twelve (12) months prior to Termination in the course of its or his Engagement.

Services: those set forth in Schedule 1 hereto.

Termination Date: for the purpose of this Agreement, the termination date shall mean the date when notice of termination is given.

- 1.2 The headings in this Agreement are inserted for convenience only and shall not affect its construction.
- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.6 The schedules to this Agreement form part of (and are incorporated into) this Agreement.

2. Term of engagement and Restrictions on Substitution

- 2.1 The Company shall engage the Consultant Company and the Consultant Company shall make available to the Company the Individual to provide the Services on the terms and conditions of this Agreement.
- 2.2 The Engagement shall be deemed to have commenced on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until terminated by either party giving the other not less than twelve (12) months' prior notice of termination in writing.
- 2.3 The Consultant Company agrees that only the Individual shall perform the Services and as such the Consultant Company shall not be entitled to substitute the Individual and if the Individual is unable to provide the Services this Agreement shall be terminated forthwith and this shall constitute Cause within the meaning of this Agreement.

3. Duties

- 3.1 During the Engagement the Consultant Company shall, and (where appropriate) shall procure that the Individual shall:
- (a) provide the Services with all due care, skill and ability and use its or his best endeavours to promote the interests of the Group and the companies within the Group.
 - (b) unless the Individual is prevented by ill health or accident, devote at least 180 hours in each calendar month to the carrying out of the Services together with such additional time if any as may be necessary for their proper performance;
 - (c) promptly give to the Board all such information and reports as it may reasonably require in connection with matters relating to the provision of the Services or the business of any Group Company.

- 3.2 If the Individual is unable to provide the Services due to illness or injury the Consultant Company shall advise the Company of that fact as soon as reasonably practicable and shall provide such evidence of the Individual's illness or injury as the Company may reasonably require.
- 3.3 The Consultant Company shall procure that the Individual is available at all times on reasonable notice to provide such assistance or information as the Company may require.
- 3.4 The Consultant Company shall, and shall procure that the Individual shall, comply with all reasonable standards of safety and comply with the Company's health
- 3.5 safety procedures from time to time in force at the premises where the Services are provided and report to the Company any unsafe working conditions or practices. On termination of the Engagement, the Consultant Company shall be entitled to be paid in lieu of accrued but untaken holiday by the Individual. The amount of the payment in lieu shall be calculated on the basis that each day of paid holiday is equal to 1/260 of the Fees payable in accordance with the terms of this Agreement.
- 3.6 If the Individual has taken more holiday than his accrued entitlement at the date of termination of the Engagement, the Company shall be entitled to deduct the appropriate amount from any payments due to the Consultant Company (on the basis that each day of paid holiday is equal to 1/260 of the Fees payable in accordance with the terms of this Agreement).
- 3.7 If either party has served notice to terminate the Engagement, the Company may require the Individual to take any accrued but unused holiday entitlement during the notice period.

4. Directorship

- 4.1 Except with the prior approval of the Board, or as provided in the byelaws of the Company, the Individual shall not resign as a director of the Company.
- 4.2 All directors are subject to re-election at the Company's Annual General Meeting. The appointment as a Director shall automatically terminate if the Individual is not re-elected at the Annual General Meeting of Stockholders or if he becomes prohibited by law from serving as a Director.
- 4.3 If during the Appointment the Individual ceases to be a director of the Company (otherwise than by reason of his death, resignation or disqualification pursuant to the byelaws of the Company, as amended from time to time, or by statute or court order) the Engagement shall continue with the Individual in all other respects, except as a director and the terms of this Agreement (other than those relating to the holding of the office of director) shall continue in full force and effect. The Individual shall have no claims in respect of such cessation of office.

5. Directors' and Officers' Insurance and Indemnity

5.1 Subject to the terms of the Company's directors and officers liability insurance policy, during and for a period of a maximum of three (3) years after termination the Individual shall be entitled to director and officer insurance coverage for his acts and/or omissions while an officer and/or director of the Company on a basis no less favourable than the coverage provided current officers and directors.

5.2 In the event that there is a shortfall in the D&O Insurance cover including any compulsory excess that may be applicable, the Company shall indemnify the Consultant Company on a \$ for \$ basis for any amounts that he may pay in respect of any actions or liability arising out of or in connection with the Individual serving as a director of the Company.

6. Compensation and Benefits

6.1 Fees

The Fee to be paid by the Company to the Consultant Company for the Services of the Individual shall be a monthly amount of \$19,167.

6.2 Incentive Plan

Unless otherwise agreed in writing, the Individual shall be entitled to participate in the Company's Management Incentive Scheme to include a Chief Executive Bonus of \$100,000 for achievement of target, payable dependent upon performance. Any payments (whether in cash or kind) are contingent upon achieving the annual defined performance milestones.

6.3 Reimbursement of Expenses

- (a) The Company shall reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Individual in providing the Services, subject to compliance with the Company's Expenses Policy in force from time to time including production of receipts or other evidence of the expense claimed by the Consultant Company and which may be reasonably requested by the Company.
- (b) The Consultant Company shall abide by the Company's policies on expenses as communicated to it from time to time and shall procure that the Individual complies fully with these policies.
- (c) Any credit card supplied to the Individual by the Company (or any of its subsidiaries) shall be used only for expenses incurred by him in the course of the Engagement.

6.4 **Paid Time Off**

- (a) The Individual shall be entitled to 30 days' paid holiday in each holiday year together with the usual public holidays in England and Wales.
- (b) If either party has served notice to terminate the Engagement, the Company may require the Individual to take any accrued but unused holiday entitlement during the notice period.

7. Other activities

- 7.1 Subject to Clause 7.2, during the Engagement the Consultant Company shall procure that the Individual shall not, except as a representative of the Group, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation) except with the prior written approval of the Company.
- 7.2 Notwithstanding Clause 7.1 of this Agreement, the Consultant Company and/or Individual may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) where such company does not carry on a business similar to or competitive with any business for the time being carried on by the Group.

8. Confidential information and Company property

- 8.1 The Consultant Company acknowledges that in the course of the Engagement it and the Individual will have access to Confidential Information. The Consultant Company has therefore agreed to accept the restrictions in this Clause 8.
- 8.2 The Consultant Company shall not, and shall procure that the Individual shall not (except in the proper course of its or his duties) either during the Engagement or at any time after the Termination Date, use or disclose to any firm, person or company (and shall use its best endeavours and procure that the Individual shall use its best endeavours to prevent the publication or disclosure of) any Confidential Information. This restriction does not apply to:
 - (a) any use or disclosure authorised by the Company or required by law; or
 - (b) any information which is already in, or comes into, the public domain otherwise than through the Consultant Company's or the Individual's unauthorised disclosure.
- 8.3 All documents, manuals, hardware and software provided for the Individual's use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones if provided by the Company), remain the property of the Company.

9. Intellectual property

9.1 The Consultant Company hereby assigns to the Company all existing and future Intellectual Property Rights in the Works and the Inventions and all materials embodying such rights to the fullest extent permitted by law. Insofar as they do not so vest automatically by operation of law or under this Agreement, the Consultant Company holds legal title in such rights and inventions on trust for the Company.

9.2 The Consultant Company undertakes to the Company:

- (a) to notify to the Company in writing full details of all Works and Inventions promptly on their creation;
- (b) to keep confidential the details of all Inventions;
- (c) whenever requested to do so by the Company and in any event on the termination of the Engagement, promptly to deliver to the Company all correspondence, documents, papers and records on all media (and all copies or abstracts of them), recording or relating to any part of the Works and the process of their creation which are in his possession, custody or power;
- (d) not to register nor attempt to register any of the Intellectual Property Rights in the Works, nor any of the Inventions, unless requested to do so by the Company; and
- (e) to do all acts necessary to confirm that absolute title in all Intellectual Property Rights in the Works and the Inventions has passed, or will pass, to the Company,

and confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.3 The Consultant Company warrants that:

- (a) it has not given and will not give permission to any third party to use any of the Works or the Inventions, nor any of the Intellectual Property Rights in the Works;
- (b) it is unaware of any use by any third party of any of the Works or Intellectual Property Rights in the Works; and
- (c) the use of the Works or the Intellectual Property Rights in the Works by the Company will not infringe the rights of any third party,

and confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.4 The Consultant Company acknowledges that no further remuneration or compensation other than that provided for in this Agreement is or may become due to the Consultant Company in respect of the performance of its obligations under this Clause 9.

9.5 The Consultant Company undertakes to execute all documents, make all applications, give all assistance and do all acts and things, at the expense of the Company and at any time either during or after the Engagement, as may, in the opinion of the Board, be necessary or desirable to vest the Intellectual Property Rights in, and register or obtain patents or registered designs in, the name of the Company and otherwise to protect and maintain the Intellectual Property Rights in the Works. The Consultant Company confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.6 The Consultant Company hereby irrevocably appoints the Company to be its attorney to execute and do any such instrument or thing and generally to use its name for the purpose of giving the Company or its nominee the benefit of this Clause 9 and acknowledges in favour of a third party that a certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by this Clause 9 shall be conclusive evidence that such is the case.

10. termination

10.1 Notwithstanding the provisions set forth in Clause 2.2 hereof, the Company may terminate the Engagement with immediate effect for Cause without notice and with no liability to make any further payment to the Consultant Company or the Individual (other than those set out in Clause 10.2. hereof).

10.2 In this context “**Cause**” shall mean if the Consultant Company and/or the Individual:

- (a) is guilty of any gross misconduct affecting the business of the Company or any Group Company; or
- (b) commits any serious or repeated breach or non-observance of any of the provisions of this Agreement or refuses or neglects to comply with any reasonable and lawful directions of the Board; or
- (c) is, in the reasonable opinion of the Board, negligent and incompetent in the performance of his duties; or
- (d) is guilty of any fraud or dishonesty or acts in any manner which in the opinion of the Company or the Board brings or is likely to bring the Individual or the Company or any Group Company into disrepute or is materially adverse to the interests of any Group Company; or
- (e) is unable by reason of Incapacity to perform his duties under this Agreement for an aggregate period of 12 weeks in any 52 weeks' period; or
- (f) seeks to substitute the Individual under the circumstances set out in Clause 2.3 of this Agreement.

10.3 The rights of the Company under clause 10.1 are without prejudice to any other rights that it might have at law to terminate the Appointment or to accept any breach of this Agreement by the Individual as having brought the Agreement to an end. Any delay by the Company in exercising its rights to terminate shall not constitute a waiver thereof.

11. Obligations upon termination

- 11.1 On the Termination Date the Consultant Company shall, and shall procure that the Individual shall:
- (a) immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business or affairs of any Group Company or their business contacts, any keys, and any other property of any Group Company, which is in its or his possession or under its or his control;
 - (b) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in its or his possession or under its or his control outside the premises of the Company; and
 - (c) provide a signed statement that it has complied fully with its obligations under this Clause 11 and procure that the Individual also provides such signed statement.
- 11.2 Regardless of the reason for any termination of this Agreement, the Consultant Company shall be entitled to:
- (a) any unpaid portion of the Fees through to Termination Date;
 - (b) reimbursement of any outstanding business expenses which are properly incurred in accordance with the Company's expense policy and/or practice in force from time to time.
 - (c) Directors' and Officers' insurance coverage in accordance with the terms of this Agreement.
- 11.3 Termination payments due under this Agreement shall be made no later than within 60 days of the termination date.
- 11.4 In the event that the Company terminates for Convenience, the Company shall, in addition to the payments provided for in Clause 11.2, pay the Consultant Company the following:
- (a) A lump sum payment equal to one times the sum of the annual Fees payable to the Consultant Company for the Services of the Individual; and
 - (b) a separation bonus of \$150,000 (whether or not the performance milestones have been achieved); and
 - (c) vesting of any stock grant provided for in the Management Incentive Plan.

12. Status

- 12.1 The relationship of the Consultant Company (and the Individual) to the Company will be that of independent contractor and nothing in this Agreement shall render it (nor the Individual) an employee, worker, agent or partner of the Company and the Consultant Company shall not hold itself out as such and shall procure that the Individual shall not hold himself out as such.
- 12.2 This Agreement constitutes a contract for the provision of services and not a contract of employment and accordingly the Consultant Company shall be fully responsible for and shall indemnify the Company or any Group Company for and in respect of payment of the following within the prescribed time limits:
- (a) any income tax, National Insurance and Social Security contributions and any other liability, deduction, contribution, assessment or claim arising from or made in connection with either the performance of the Services or any payment or benefit received by the individual (or their associates) in respect of the Services, where such recovery is not prohibited by law. The Consultant Company shall further indemnify the Company against all reasonable costs, expenses and any penalty, fine or interest incurred or payable by the Company in connection with or in consequence of any such liability, deduction, contribution, assessment or claim;
 - (b) any liability for any employment-related claim or any claim based on worker status (including reasonable costs and expenses) brought by the Individual or any Substitute against the Company arising out of or in connection with the provision of the Services, except where such claim is as a result of any act or omission of the Company.
- 12.3 The Company may at its option satisfy such indemnity (in whole or in part) by way of deduction from payments due to the Consultant Company or the Individual.

13. Post-Termination Restrictions

- 13.1 In order to protect the Confidential Information, trade secrets and business connections of the Company and each Group Company to which the Consultant Company and/or Individual has access as a result of the Engagement, the Consultant Company covenants with the Company and shall procure that the Individual also enters into similar covenants benefiting the Company that neither the Consultant Company nor the Individual shall:
- (a) for 12 months after Termination solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business; or
 - (b) for 12 months after Termination in the course of any business concern which is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person; or

- (c) for 12 months after Termination, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business; or
- (d) for 12 months after Termination be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business; or
- (e) at any time after Termination, represent himself as connected with the Company or any Group Company in any Capacity.

13.2 None of the restrictions in Clause 13 shall prevent the Consultant Company or the Individual from:

- (a) being engaged or concerned in any business concern insofar as the Consultant's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
- (b) being engaged or concerned in any business concern, provided that the Consultant's duties or work shall relate solely to services or activities of a kind with which the Consultant Company or the Individual was not concerned to a material extent in the twelve (12) months prior to Termination.

13.3 The restrictions imposed on the Consultant Company and Individual by Clause 13.1 apply to either of them acting:

- (a) directly or indirectly including through legal or natural persons under his control or related to him; and
- (b) on his own behalf or on behalf of, or in conjunction with, any firm, company or person.

13.4 Each of the restrictions in this Clause 13 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.

14. Notices

14.1 Any notice given under this Agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by delivering it personally, or sending it by pre-paid recorded delivery or registered post to the relevant party at its registered office for the time being or by sending it by fax to the fax number notified by the relevant party to the other party. Any such notice shall be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting;
- (c) in the case of fax, at the time of transmission.

14.2 In proving such service it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery or registered post or that the notice was transmitted by fax to the fax number of the relevant party).

15. Entire Agreement and previous contracts

Each party on behalf of itself and (in the case of the Company, as agent for any Group Companies) acknowledges and agrees with the other party the Company acting on behalf of itself and as agent for each Group Company) that:

- (a) this Agreement together with any documents referred to in it constitute the entire Agreement and understanding between the Consultant Company and the Company and any Group Company and supersedes any previous Agreement between them relating to the Engagement (which shall be deemed to have been terminated by mutual consent);
- (b) in entering into this Agreement neither party nor any Group Company has relied on any pre-contractual statement; and
- (c) the only remedy available to it for breach of this Agreement shall be for breach of contract under the terms of this Agreement and each party shall have no right of action against any other party in respect of any pre-contractual statement. Nothing in this Agreement shall, however, operate to limit or exclude any liability for fraud.

16. Variation

No variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties.

17. Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument.

18. Third party rights

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this Agreement and no person other than the Consultant Company and the Company shall have any rights under it. The terms of this Agreement or any of them may be varied, amended or modified or this Agreement may be suspended, cancelled or terminated by Agreement in writing between the parties or this Agreement may be rescinded (in each case), without the consent of any third party.

19. Governing law and jurisdiction

- 19.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.
- 19.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and Wales over any claim or matter arising under or in connection with this Agreement.

The Individual's Position Title: Group Chief Executive Officer

The Individual reports to: Board of Directors of Coda Octopus Group, Inc.,

Job Summary

The Individual serves as chief executive of Coda Octopus Group, Inc., and, in partnership with the Board, is responsible for the success of Coda Octopus Group, Inc. Together, the Board and the Individual assure the accomplishment of Coda Octopus' mission and vision and its business plans, and the accountability of Coda Octopus to its diverse constituents.

The Board delegates responsibility for management and day-to-day operations to the Individual, and she has the authority to carry out these responsibilities, in accordance with the direction and policies established by the Board. The Individual provides direction to the Board enabling it to carry out its governance functions.

Accountabilities

1) Mission, policy and planning

- a) Helps the Board determine Coda Octopus' values, mission, vision, and short- and long-term goals.
- b) Helps the Board monitor and evaluate Coda Octopus' effectiveness and results.
- c) Keeps the Board fully informed on the condition of Coda Octopus and on all the important factors influencing it.

Identifies problems and opportunities and addresses them; brings those which are appropriate to the Board and/or its committees; and, facilitates discussion and deliberation.

Informs the Board and/or its committees about trends, issues, problems and activities in order to facilitate policy-making and recommends policy positions.

2) Management and administration

- a) Provides general oversight of all Coda Octopus' activities, manages the day-to-day operations, and assures a smoothly functioning, efficient organization.
- b) Assures organizational stability through development and implementation of standards and controls, systems and procedures, and regular evaluation.
- c) Recommends staffing and financing to the Board of Directors. In accordance with Board action, recruits personnel, negotiates professional contracts, and sees that appropriate salary structures are developed and maintained.
- d) Specifies accountabilities for management personnel and evaluates performance regularly.

3) Governance

- a) Helps the Board articulate its own role and accountabilities and that of its committees and individual members, and helps evaluate performance regularly.
- b) Works with the Board Chair to enable the Board to fulfill its governance functions and facilitates the optimum performance by the Board, its committees and individual Board members.
- c) Focuses Board attention on long-range strategic issues.

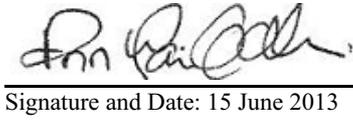
4) Financing

- a) Promotes products and product development that are produced in a cost-effective manner, employing economy while maintaining an acceptable level of quality.
- b) Oversees the fiscal activities of the organization including budgeting, reporting and audit.

Executed by Coda Octopus Group acting by Geoff Turner, Deputy
Group Chief Executive Officer and Director


Signature and Date 15/6/13

Executed by Pemanaco Limited acting by Annmarie Gayle, director


Signature and Date: 15 June 2013

Dated

1 June 2011

Employment contract

between

Coda Octopus Colmek, Inc

and

Mr. Mike Midgley

contents

clause

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THIS AGREEMENT is dated 1 June 2011

Parties

- (1) Coda Octopus Colmek, Inc a Utah corporation with its principal place of business at 1775 South 4130 West, Salt Lake City, Utah 84104, USA (**Company**).
- (2) Mr. Mike Midgley of 9597 South Newkirk St, South Jordan, Utah 84095 (**Employee**).

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this Clause 1.1 apply in this Agreement.

Appointment: the employment of the Employee by the Company on the terms of this Agreement.

Board: the board of directors of the Company (including any committee of the board duly appointed by it).

Capacity: as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Coda Board: the board of directors of Coda Octopus Group, Inc.

Commencement Date: the date of this Agreement.

Confidential Information: information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) which is not in the public domain relating to the business, products, affairs and finances of any Group Company for the time being confidential to any Group Company and trade secrets including, without limitation, technical data, know-how relating to the business of any Group Company or any of their business contacts including its its customers.

Employment IPRs: Intellectual Property Rights created by the Employee in the course of his employment with the Company (whether or not during working hours or using Company premises or resources).

Employment Inventions: any invention which is made wholly or partially by the Employee at any time in the course of his employment with the Company (whether or not during working hours or using Company premises or resources, and whether or not recorded in material form).

Group Company or Group: the Company, any company of which it is a Subsidiary (its holding company) and any subsidiaries of the Company or those of its parent company or of any such holding company.

Incapacity: any sickness or injury which prevents the Employee from carrying out his duties.

Intellectual Property Rights (IPRs): patents, rights to inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

Performance Milestones: the milestones against which a bonus payment becomes payable to the Employee by the Company and which are to be agreed between the Employee and the Company.

Pre-Contractual Statement: any undertaking, promise, assurance, statement, representation, warranty or understanding (whether in writing or not) of any person (whether party to this Agreement or not) relating to the Employee's employment under this Agreement which is not expressly set out in this Agreement or any documents referred to in it.

Restricted Business: any engineering business specializing in custom data acquisition systems, analog/digital signal processing, FPGA integration, rugged enclosure design, RF Conditioning.

Restricted Customer: any firm, company or person who, during the eighteen (18) months prior to Termination, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Employee had contact or about whom he became aware or informed in the course of his employment.

Restricted Person: any person who is or was an employee, consultant or affiliate of the Company during the preceding six months prior to Termination.

Staff Handbook: the Company's staff handbook in force from time to time

Termination: the termination of the Employee's employment with the Company however caused including, without limitation, termination by the Company in repudiatory breach of contract.

- 1.2 The headings in this Agreement are inserted for convenience only and shall neither affect its construction nor its interpretation.
- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 A reference to one gender includes a reference to the other gender.
- 1.5 The schedules to this Agreement form part of (and are incorporated into) this Agreement.

2. Term of appointment

2.1 The Company shall employ the Employee on a full time basis and the Employee shall serve the Company on the terms of this Agreement.

2.2 The Appointment shall be deemed to have commenced on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until terminated by either party giving the other not less than four (4) months prior notice in writing.

3. Duties

3.1 The Employee shall serve as Chief Executive Officer.

3.2 The broad terms of the role description for the Appointment is set forth in Schedule 1 hereto. Notwithstanding the description set forth in Schedule 1 and unless otherwise agreed in writing with the Board, the Employee shall perform all duties as are consistent with this position and such other duties that the Board or Coda Board may reasonably assign to the Employee from time to time.

3.3 During the Appointment the Employee shall:

- (a) act as a director the Company;
- (b) comply with the bye-laws of the Company (as amended from time to time);
- (c) abide by any statutory, fiduciary or common-law duties to the Company;
- (d) not do anything that would cause him to be disqualified from acting as a director;
- (e) unless prevented by Incapacity, devote the whole of his or her time, attention and abilities to the business of the Company;
- (f) diligently exercise such powers and perform such duties as may from time to time be assigned to him by the Board;
- (g) comply with all reasonable and lawful directions given to his or her by the Board or Coda Board;
- (h) promptly make such reports to the Board and Coda Board in connection with the affairs of the Company on such matters and at such times as are reasonably required;
- (i) use his or her best endeavours to promote, protect, develop and extend the business of the Company;

- 3.4 The Employee consents to the Company monitoring and recording any use that she makes of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.
- 3.5 The Employee shall comply with any electronic communication systems policy tha the Company may issue from time to time.
- 3.6 The Employee shall comply with any rules, policies and procedures set out in the Staff Handbook. To the extent that there is any conflict between the terms of this agreement and the Staff Handbook, this agreement shall prevail.
- 3.7 All documents, manuals, hardware and software provided for the Employee's use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

4. Place of work

- 4.1 The Employee's normal place of work is at the principal place of business of the Company.

5. Compensation and Benefits

- 5.1 The Employee shall be paid an annual salary of \$130,000 ("Base Salary").
- 5.2 The Base Salary shall be paid by the Company on a bi-weekly basis.
- 5.3 Subject to the Company achieving the Performance Milestone for the financial year 2010/2011, the Company shall pay the Employee a bonus of \$30,000 ("Performance Bonus"). The Performance Bonus shall be payable by the Company within three (3) months of the year end financial statements of the Company being signed off by the Company's auditors.
- 5.4 The Employee's salary shall be reviewed by the Board, and the Group Chief Executive, annually, the first such review to take place on 1 January 2012. The Company is under no obligation to award an increase following a salary review. There will be no review of the salary after notice has been given by either party to terminate the Appointment.
- 5.5 The Company may deduct from the salary, or any other sums owed to the Employee, any money owed to any Group Company by the Employee.

5.6 The Employee shall be entitled to participate in the Company's Bonus Scheme in effect from time to time under such terms and conditions as the Board may determine.

6. Expenses

6.1 The Company shall reimburse against receipts or other evidence which is satisfactory to the Company, all reasonable and approved expenses wholly, properly and necessarily incurred by the Employee in the course of the Appointment.

6.2 Business expenses incurred by the Employee shall be claimed within 3 months of these being incurred.

6.3 The Employee shall abide by the Company's policies on expenses as communicated to his or her from time to time.

6.4 Any credit card supplied to the Employee by the Company shall be used only for business expenses incurred by his or her in the course of the Appointment.

7. Holidays

7.1 The Employee shall be entitled 20 days' paid holiday in each holiday year together with the usual public holidays. If the Appointment commences or terminates part way through a holiday year, the Employee's entitlement during that holiday year shall be calculated on a pro-rata basis rounded up to the nearest whole day.

7.2 Holiday shall be taken at such time or times as shall be approved in advance by the Board. The Employee shall not without the consent of the Board carry forward any accrued but untaken holiday entitlement to a subsequent holiday year unless the Employee has been unavoidably prevented from taking such holiday during the relevant leave year by virtue of a period of statutory maternity, paternity or adoption leave.

7.3 The Employee shall have no entitlement to any payment in lieu of accrued but untaken holiday save on termination of the Appointment. If either party has served notice to terminate the Appointment, the Board may require the Employee to take any accrued but unused holiday entitlement during the notice period.

8. Outside interests

8.1 Subject to Clause 8.2, during the Appointment the Employee shall not, except as a representative of the Group or with the prior written approval of the Board, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation). The Employee will not serve on the board of directors of any Restricted Business or other entity that owns, operates, acquires, sells, develops and/or manages any company which is involved in subsea or sonar inspection or visualization.

8.2 Notwithstanding Clause 8.1, the Employee may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) where such company does not carry on a business similar to or competitive with any business for the time being carried on by the Group.

9. Confidential information

9.1 The Employee acknowledges that in the course of the Appointment he will have access to Confidential Information. The Employee has therefore agreed to accept the restrictions in this Clause 9.

9.2 The Employee shall not (except in the proper course of his or her duties), either during the Appointment or at any time after its termination (howsoever arising), use or disclose to any person, company or other organisation whatsoever (and shall use his or her best endeavours to prevent the publication or disclosure of) any Confidential Information.

9.3 This restriction does not apply to:

- (a) any use or disclosure authorised by the Board or required by law or by the Appointment; or
- (b) any information which is already in, or comes into, the public domain other than through the Employee's unauthorised disclosure; or
- (c) prevent the Employee from making a protected disclosure within the meaning of any applicable employment legislation.

10. Intellectual Property Rights

10.1 The Employee acknowledges that all Employment IPRs, Employment Inventions and all materials embodying them shall automatically belong to the Company to the fullest extent permitted by law. To the extent that they do not vest in the Company automatically, the Employee holds them on trust for the Company.

10.2 The Employee acknowledges that, because of the nature of his or her duties and the particular responsibilities arising from the nature of his or her duties, he has, and shall have at all times while he is employed by the Company, a special obligation to further the interests of the Company.

- 10.3 To the extent that legal title in any Employment IPRs or Employment Inventions does not vest in the Company by virtue of Clause 10.1, the Employee agrees, immediately upon creation of such rights and inventions, to offer to the Company in writing a right of first refusal to acquire them on arm's length terms to be agreed between the parties.
- 10.4 The Employee agrees:
- (a) to give the Company full written details of all Employment Inventions which relate to or are capable of being used in the business of any Group Company promptly on their creation;
 - (b) at the Company's request and in any event on the termination of his or her employment to give to the Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;
 - (c) not to attempt to register any Employment IPR nor patent any Employment Invention unless requested to do so by the Company; and
 - (d) to keep confidential each Employment Invention unless the Company has consented in writing to its disclosure by the Employee.
- 10.5 The Employee waives all his or her present and future moral rights which arise under the any applicable law relating to any copyright which forms part of the Employment IPRs, and agrees not to support, maintain nor permit any claim for infringement of moral rights in such copyright works.
- 10.6 The Employee acknowledges that, except as provided by law, no further remuneration or compensation other than that provided for in this Agreement is or may become due to the Employee in respect of his or her compliance with this Clause.
- 10.7 The Employee undertakes to use his or his or her best endeavours to execute all documents and do all acts both during and after his or his or her his or her employment by the Company as may, in the opinion of the Board, be necessary or desirable to vest the Employment IPRs in the Company, to register them in the name of the Company and to protect and maintain the Employment IPRs and the Employment Inventions. Such documents may, at the Company's request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse the Employee's reasonable expenses of complying with this Clause 10.6.

- 10.8 The Employee agrees to give all necessary assistance to the Company to enable it to enforce its Intellectual Property Rights against third parties, to defend claims for infringement of third party Intellectual Property Rights and to apply for registration of Intellectual Property Rights, where appropriate throughout the world, and for the full term of those rights.
- 10.9 The Employee hereby irrevocably appoints the Company to be his or his or her attorney to execute and do any such instrument or thing and generally to use his or his or her name for the purpose of giving the Company or its nominee the benefit of this Clause 10. The Employee acknowledges in favour of a third party that a certificate in writing signed by any Director or the Secretary of the Company that any instrument or act falls within the authority conferred by this Clause 10 shall be conclusive evidence that such is the case.

11. Termination

- 11.1 Notwithstanding the provisions of Clause 2.1, the Company or the Group Chief Executive may terminate the Appointment with immediate effect without notice and with no liability to make any further payment to the Employee (other than in respect of amounts accrued due at the date of termination) if the Employee:
- (a) is guilty of any gross misconduct affecting the business of the Company or any Group Company;
 - (b) commits any serious or repeated breach or non-observance of any of the provisions of this Agreement or refuses or neglects to comply with any reasonable and lawful directions of the Board; or
 - (c) is, in the reasonable opinion of the Board, negligent and incompetent in the performance of his duties; or
 - (d) is guilty of any fraud or dishonesty or acts in any manner which in the opinion of the Board brings or is likely to bring the Employee or any Group Company into disrepute or is materially adverse to the interests of any Group Company; or is guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems.
- 11.2 The rights of the Company under Clause 11.1 are without prejudice to any other rights that it might have at law to terminate the Appointment or to accept any breach of this Agreement by the Employee as having brought the Agreement to an end. Any delay by the Company in exercising its rights to terminate shall not constitute a waiver thereof.

12. Obligations upon termination

12.1 On termination of the Appointment (howsoever arising) the Employee shall:

- (a) immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business or affairs of the Group, any keys, credit card and any other property of any Group Company which is in his or her possession or under his or her control;
- (b) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in his or her possession or under his control outside the Company's premises; and
- (c) provide a signed statement that she has complied fully with his obligations under this Clause 12.1.

13. Post-termination restrictions

13.1 In order to protect the confidential information, trade secrets and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Employee covenants with the Company (for itself and as trustee and agent for each Group Company) that she shall not:

- (a) for twelve (12) months after Termination solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business; or
- (b) for twelve (12) months after Termination in the course of any business concern which is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person; or
- (c) for twelve (12) months after Termination, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business; or
- (d) for twelve (12) months after Termination be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business; or
- (e) at any time after Termination, represent himself as connected with the Company or any Group Company in any Capacity.

- 13.2 None of the restrictions in Clause 13.1 shall prevent the Employee from:
- (a) holding an investment by way of shares or other securities in any business which is not a Restricted Business; or
 - (b) being engaged or concerned in any business concern insofar as the Employee's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
 - (c) being engaged or concerned in any business concern, provided that the Employee's duties or work shall relate solely to services or activities of a kind with which the Employee was not concerned to a material extent in the twelve (12) months prior to Termination.
- 13.3 The restrictions imposed on the Employee by this Clause 13 apply to his or her acting:
- (a) directly or indirectly; and
 - (b) on his or her own behalf or on behalf of, or in conjunction with, any firm, company or person.
- 13.4 Each of the restrictions in this Clause 13 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.
- 13.5 The Employee will, at the request and expense of the Company, enter into a separate Agreement with any Group Company in which he agrees to be bound by restrictions corresponding to those restrictions in this Clause 13 (or such of those restrictions as may be appropriate) in relation to that Group Company.

14. Reconstruction and amalgamation

If the Appointment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Employee is offered employment with any concern or undertaking involved in or resulting from such reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this Agreement, the Employee shall have no claim against the Company or any such undertaking arising out of or connected with such termination.

15. Notices

- 15.1 Any notice given under this Agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by delivering it personally, or sending it by pre-paid recorded delivery or registered post to the relevant party at (in the case of the Company) its registered office for the time being and (in the case of the Employee) his last known address, or by sending it by fax to the fax number notified by the relevant party to the other party. Any such notice shall be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting; and
- (c) in the case of fax, at the time of transmission.

15.2 In proving such service it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery or registered post or that the notice was transmitted by fax to the fax number of the relevant party).

16. Entire Agreement and previous contracts

Each party on behalf of itself (and in the case of the Company, as agent for any Group Companies) acknowledges and agrees with the other party (the Company acting on behalf of itself and as agent for each Group Company) that:

- (a) this Agreement together with any documents referred to in it constitute the entire Agreement and understanding between the Employee and the Company and any Group Company and supersedes any previous Agreement between them relating to the Appointment. In entering into this Agreement neither party nor any Group Company has relied on any Pre-Contractual Statement; and
- (b) the only remedy available to each party for breach of this Agreement shall be for breach of contract under the terms of this Agreement and no party shall have any right of action against any other party in respect of any Pre-Contractual Statement.

Nothing in this Agreement shall, however, operate to limit or exclude any liability for fraud.

17. Variation

No variation of this Agreement or of any of the documents referred to in it shall be valid unless it is in writing and signed by or on behalf of each of the parties.

18. Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, and all the counterparts together shall constitute one and the same instrument.

19. Governing law and jurisdiction

19.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of New York.

19.2 The parties irrevocably agree that the courts of New York or Utah shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Role Description

Chief Executive Officer (CEO)

Based in Salt Lake City

Reports to Board of Colmek and the Chief Executive of Coda Octopus Group

Role Description

- CEO is responsible day to day for the smooth overall management of Colmek
- CEO is responsible for overall achievement of the Business Plan of Colmek and for overseeing the effective and successful implementation of the Business Strategy of Colmek and achieving the agreed Business Plan.
- CEO is responsible for promoting Colmek and increasing its capabilities
- CEO reports to the Board of Colmek and the Chief Executive of Coda Octopus Group at least monthly including providing details of the Company's financial performance and forecasts and assessments of future prospects of the Company
- Alongside scheduled reporting to the Board of Colmek, CEO shall provide information to, and collaborate with, others in the Coda Octopus Group Management team and reporting structure as the Coda Octopus Group Board may direct from time to time.
- CEO understands and performs the legal duties associated with being a director of the Company
- Formulate and agree with the Board of Colmek and Coda Octopus Group the business strategy of Colmek
- Appraises the Board in a timely manner of business critical issues including failure of the business to perform in accordance with the Business Plan
- Manage and control Colmek's expenditure against the agreed and approved budgets for the business
- Ensures good practices are implemented throughout including but not limited to good financial controls being in place.

Performance Milestone for Financial Year 2010/2011

The Company achieving revenues of no less than \$4.5 million; and

Net Profit of at least \$500K.

Executed as a deed by Coda Octopus Colmek, Inc acting by Geoff Turner (Director)

Director

Signed as a deed by Mike Midgley in the presence of:



Signature of Witness

Name and Address

Occupation

Date

Dated JUNE 15 2013

Consultancy Agreement

between

Coda Octopus Group, Inc.

and

Taktos Limited

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Schedule

SCHEDULE SERVICES	13
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THIS AGREEMENT is dated June 15th 2013

Parties

- (1) Coda Octopus Group, Inc. a Delaware corporation, (“Coda Octopus”), with a headquarters address Lakeland, Florida (**Company**); and
- (2) Taktos Limited, a United Kingdom corporation, with an address at 3 Willow Walk, Englefield Green, Egham, Surrey TW20 0DQ (**Consultant Company**).

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this Clause apply in this Agreement (unless the context requires otherwise).

Board: the board of directors of the Company (including any committee of the board duly appointed by it).

Business: Any subsea visualization company or business (incorporated or unincorporated), or (ii) any other business in which Coda Octopus is engaged or is actively planning to engage as of the date of the Termination of this Agreement.

Capacity: as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Cause: means any of the matters set forth in clauses 2.3 (Substitution) and 10.1(a) through to (e) inclusive.

Commencement Date: June 15, 2013

Convenience: termination of this Agreement by the Company without Cause.

Engagement: the engagement of the Consultant Company by the Company on the terms of this Agreement.

Fees: the monthly amount to be paid by the Company for the Services to be provided by the Individual through the Consultant Company and which are set forth in Clause 6 of this Agreement.

Group Company: the Company, any company of which it is a Subsidiary (its holding company) and any Subsidiaries of the Company or of any such holding company.

Incapacity: any sickness or injury which prevents the Individual from carrying out his duties.

Individual: Geoff Turner

Intellectual Property Rights: patents, rights to Inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, rights in designs, rights in computer software, database rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which may now or in the future subsist in any part of the world.

Invention: any invention, idea, discovery, development, improvement or innovation made by the Consultant Company or by the Individual in connection with the provision of the Services, whether or not patentable or capable of registration, and whether or not recorded in any medium.

Management Incentive Scheme: the bonus scheme put in place by the Board of Directors of Coda Octopus Group, Inc. which is intended to incentivise the management to perform the Group's annual business plan and under which a bonus (Stock Grants or Cash) is payable for the achievement of certain performance milestones.

Restricted Business: any business which competes with the Business at the relevant point in time

Restricted Customer: any firm, company or person who, during the 6 months prior to Termination, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Consultant or the Individual had contact or about whom he became aware or informed in the course of his engagement under this Agreement.

Restricted Person: anyone employed or engaged by the Company or any Group Company and who could materially damage the interests of the Company or any Group Company if they were involved in any Capacity in any business concern which competes with any Restricted Business and with whom the Consultant Company or Individual dealt in the twelve (12) months prior to Termination in the course of its or his Engagement.

Services: those set forth in Schedule 1 hereto.

Termination Date: for the purpose of this Agreement, the termination date shall mean the date when notice of termination is given.

- 1.2 The headings in this Agreement are inserted for convenience only and shall not affect its construction.
- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.

- 1.4 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.6 The schedules to this Agreement form part of (and are incorporated into) this Agreement.

2. Term of engagement and Restrictions on Substitution

- 2.1 The Company shall engage the Consultant Company and the Consultant Company shall make available to the Company the Individual to provide the Services on the terms and conditions of this Agreement.
- 2.2 The Engagement shall be deemed to have commenced on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until terminated by either party giving the other not less than twelve (12) months' prior notice of termination in writing.
- 2.3 The Consultant Company agrees that only the Individual shall perform the Services and as such the Consultant Company shall not be entitled to substitute the Individual and if the Individual is unable to provide the Services this Agreement shall be terminated forthwith and this shall constitute Cause.

3. Duties

- 3.1 During the Engagement the Consultant Company shall, and (where appropriate) shall procure that the Individual shall:
- (a) provide the Services with all due care, skill and ability and use its or his best endeavours to promote the interests of the Group and the companies within the Group.
 - (b) unless the Individual is prevented by ill health or accident, devote at least 180 hours in each calendar month to the carrying out of the Services together with such additional time if any as may be necessary for their proper performance;
 - (c) promptly give to the Board all such information and reports as it may reasonably require in connection with matters relating to the provision of the Services or the business of any Group Company.
- 3.2 If the Individual is unable to provide the Services due to illness or injury the Consultant Company shall advise the Company of that fact as soon as reasonably practicable and shall provide such evidence of the Individual's illness or injury as the Company may reasonably require.

- 3.3 The Consultant Company shall procure that the Individual is available at all times on reasonable notice to provide such assistance or information as the Company may require.
- 3.4 The Consultant Company shall, and shall procure that the Individual shall, comply with all reasonable standards of safety and comply with the Company's health and safety procedures from time to time in force at the premises where the Services are provided and report to the Company any unsafe working conditions or practices.
- 3.5 On termination of the Engagement, the Consultant Company shall be entitled to be paid in lieu of accrued but untaken holiday by the Individual. The amount of the payment in lieu shall be calculated on the basis that each day of paid holiday is equal to 1/260 of the Fees payable in accordance with the terms of this Agreement.
- 3.6 If the Individual has taken more holiday than his accrued entitlement at the date of termination of the Engagement, the Company shall be entitled to deduct the appropriate amount from any payments due to the Consultant Company (on the basis that each day of paid holiday is equal to 1/260 of the Fees payable in accordance with the terms of this Agreement).
- 3.7 If either party has served notice to terminate the Engagement, the Company may require the Individual to take any accrued but unused holiday entitlement during the notice period.

4. Directorship

- 4.1 Except with the prior approval of the Board, or as provided in the byelaws of the Company, the Individual shall not resign as a director of the Company.
- 4.2 All directors are subject to re-election at the Company's Annual General Meeting. The appointment as a Director shall automatically terminate if the Individual is not re-elected at the Annual General Meeting of Stockholders or if he becomes prohibited by law from serving as a Director.
- 4.3 If during the Appointment the Individual ceases to be a director of the Company (otherwise than by reason of his death, resignation or disqualification pursuant to the byelaws of the Company, as amended from time to time, or by statute or court order) the Engagement shall continue with the Individual in all other respects, except as a director and the terms of this Agreement (other than those relating to the holding of the office of director) shall continue in full force and effect. The Individual shall have no claims in respect of such cessation of office.

5. Directors' and Officers' Insurance and Indemnity

- 5.1 Subject to the terms of the Company's directors and officers liability insurance policy, during and for a period of a maximum of three (3) years after termination the Individual shall be entitled to director and officer insurance coverage for his acts and/or omissions while an officer and/or director of the Company on a basis no less favourable than the coverage provided current officers and directors.
- 5.2 In the event that there is a shortfall in the D&O Insurance cover including any compulsory excess that may be applicable, the Company shall indemnify the Consultant Company on a \$ for \$ basis for any amounts that he may pay in respect of any actions or liability arising out of or in connection with the Individual serving as a director of the Company.

6. Compensation and Benefits

6.1 Fees

- (a) The Fee to be paid by the Company to the Consultant Company for the Services of the Individual shall be a monthly amount of \$13,000.

6.2 Incentive Plan

- (a) Unless otherwise agreed in writing, the Individual shall be entitled to participate in the Company's Management Incentive Scheme. Any payments (whether in cash or kind) are contingent upon achieving the annual defined performance milestones.

6.3 Reimbursement of Expenses

- (a) The Company shall reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Individual in providing the Services, subject to compliance with the Company's Expenses Policy in force from time to time including production of receipts or other evidence of the expense claimed by the Consultant Company and which may be reasonably requested by the Company.
- (b) The Consultant Company shall abide by the Company's policies on expenses as communicated to it from time to time and shall procure that the Individual complies fully with these policies.
- (c) Any credit card supplied to the Individual by the Company (or any of its subsidiaries) shall be used only for expenses incurred by him in the course of the Engagement.

6.4 Paid Time Off

- (a) The Individual shall be entitled to 30 days' paid holiday in each holiday year together with the usual public holidays in England and Wales.
- (b) If either party has served notice to terminate the Engagement, the Company may require the Individual to take any accrued but unused holiday entitlement during the notice period.

7. Other activities

- 7.1 Subject to Clause 7.2, during the Engagement the Consultant Company shall procure that the Individual shall not, except as a representative of the Group, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation) except with the prior written approval of the Company.
- 7.2 Notwithstanding Clause 7.1 of this Agreement, the Consultant Company and/or Individual may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) where such company does not carry on a business similar to or competitive with any business for the time being carried on by the Group.

8. Confidential information and Company property

- 8.1 The Consultant Company acknowledges that in the course of the Engagement it and the Individual will have access to Confidential Information. The Consultant Company has therefore agreed to accept the restrictions in this Clause 8.
- 8.2 The Consultant Company shall not, and shall procure that the Individual shall not (except in the proper course of its or his duties) either during the Engagement or at any time after the Termination Date, use or disclose to any firm, person or company (and shall use its best endeavours and procure that the Individual shall use its best endeavours to prevent the publication or disclosure of) any Confidential Information. This restriction does not apply to:
- (a) any use or disclosure authorised by the Company or required by law; or
 - (b) any information which is already in, or comes into, the public domain otherwise than through the Consultant Company's or the Individual's unauthorised disclosure.
- 8.3 All documents, manuals, hardware and software provided for the Individual's use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones if provided by the Company), remain the property of the Company.

9 Intellectual property

- 9.1 The Consultant Company hereby assigns to the Company all existing and future Intellectual Property Rights in the Works and the Inventions and all materials embodying such rights to the fullest extent permitted by law. Insofar as they do not so vest automatically by operation of law or under this Agreement, the Consultant Company holds legal title in such rights and inventions on trust for the Company.

9.2 The Consultant Company undertakes to the Company:

- (a) to notify to the Company in writing full details of all Works and Inventions promptly on their creation;
- (b) to keep confidential the details of all Inventions;
- (c) whenever requested to do so by the Company and in any event on the termination of the Engagement, promptly to deliver to the Company all correspondence, documents, papers and records on all media (and all copies or abstracts of them), recording or relating to any part of the Works and the process of their creation which are in his possession, custody or power;
- (d) not to register nor attempt to register any of the Intellectual Property Rights in the Works, nor any of the Inventions, unless requested to do so by the Company; and
- (e) to do all acts necessary to confirm that absolute title in all Intellectual Property Rights in the Works and the Inventions has passed, or will pass, to the Company, and confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.3 The Consultant Company warrants that:

- (a) it has not given and will not give permission to any third party to use any of the Works or the Inventions, nor any of the Intellectual Property Rights in the Works;
- (b) it is unaware of any use by any third party of any of the Works or Intellectual Property Rights in the Works; and
- (c) the use of the Works or the Intellectual Property Rights in the Works by the Company will not infringe the rights of any third party, and confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.4 The Consultant Company acknowledges that no further remuneration or compensation other than that provided for in this Agreement is or may become due to the Consultant Company in respect of the performance of its obligations under this Clause 9.

9.5 The Consultant Company undertakes to execute all documents, make all applications, give all assistance and do all acts and things, at the expense of the Company and at any time either during or after the Engagement, as may, in the opinion of the Board, be necessary or desirable to vest the Intellectual Property Rights in, and register or obtain patents or registered designs in, the name of the Company and otherwise to protect and maintain the Intellectual Property Rights in the Works. The Consultant Company confirms that the Individual has given written undertakings in the same terms to the Consultant Company.

9.6 The Consultant Company hereby irrevocably appoints the Company to be its attorney to execute and do any such instrument or thing and generally to use its name for the purpose of giving the Company or its nominee the benefit of this Clause 9 and acknowledges in favour of a third party that a certificate in writing signed by any director or the secretary of the Company that any instrument or act falls within the authority conferred by this Clause 9 shall be conclusive evidence that such is the case.

10. termination

10.1 Notwithstanding the provisions set forth in Clause 2.2 hereof, the Company may terminate the Engagement with immediate effect for Cause without notice and with no liability to make any further payment to the Consultant Company or the Individual (other than those set out in Clause 10.2. hereof).

10.2 In this context “Cause” shall mean if the Consultant Company and/or the Individual:

- (a) is guilty of any gross misconduct affecting the business of the Company or any Group Company; or
- (b) commits any serious or repeated breach or non-observance of any of the provisions of this Agreement or refuses or neglects to comply with any reasonable and lawful directions of the Board; or
- (c) is, in the reasonable opinion of the Board, negligent and incompetent in the performance of his duties; or
- (d) is guilty of any fraud or dishonesty or acts in any manner which in the opinion of the Company or the Board brings or is likely to bring the Individual or the Company or any Group Company into disrepute or is materially adverse to the interests of any Group Company; or
- (e) is unable by reason of Incapacity to perform his duties under this Agreement for an aggregate period of 12 weeks in any 52 weeks’ period.
- (f) Under the circumstances set out in Clause 2.3 of this Agreement.

10.3 The rights of the Company under clause 10.1 are without prejudice to any other rights that it might have at law to terminate the Appointment or to accept any breach of this Agreement by the Individual as having brought the Agreement to an end. Any delay by the Company in exercising its rights to terminate shall not constitute a waiver thereof.

11. Obligations upon termination

11.1 On the Termination Date the Consultant Company shall, and shall procure that the Individual shall:

- (a) immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business or affairs of any Group Company or their business contacts, any keys, and any other property of any Group Company, which is in its or his possession or under its or his control;
- (b) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in its or his possession or under its or his control outside the premises of the Company; and
- (c) provide a signed statement that it or he has complied fully with its or his obligations under this Clause 11.

- 11.2 Regardless of the reason for any termination of this Agreement, the Consultant Company shall be entitled to:
- (a) Any unpaid portion of the Fees through to Termination Date;
 - (b) Reimbursement of any outstanding business expenses which are properly incurred in accordance with the Company's expense policy and/or practice in force from time to time.
 - (c) Directors' and Officers' insurance coverage in accordance with the terms of this Agreement;
- 11.3 Termination payments due under this Agreement shall be made no later than within 60 days of the termination date.
- 11.4 In the event that the Company terminates for "Convenience", the Company shall, in addition to the payments provided for in Clause 11.2, pay the Consultant Company the following:
- (a) A lump sum payment equal to one times the sum of the annual Fees payable to the Consultant Company for the Services of the Individual; and
 - (b) a separation bonus of \$150,000 (whether or not the performance milestones have been achieved); and
 - (c) vesting of any stock grant provided for in the Management Incentive Plan.

12. Status

- 12.1 The relationship of the Consultant Company (and the Individual) to the Company will be that of independent contractor and nothing in this Agreement shall render it (nor the Individual) an employee, worker, agent or partner of the Company and the Consultant Company shall not hold itself out as such and shall procure that the Individual shall not hold himself out as such.

- 12.2 This Agreement constitutes a contract for the provision of services and not a contract of employment and accordingly the Consultant Company shall be fully responsible for and shall indemnify the Company or any Group Company for and in respect of payment of the following within the prescribed time limits:
- (a) any income tax, National Insurance and Social Security contributions and any other liability, deduction, contribution, assessment or claim arising from or made in connection with either the performance of the Services or any payment or benefit received by the individual (or their associates) in respect of the Services, where such recovery is not prohibited by law. The Consultant Company shall further indemnify the Company against all reasonable costs, expenses and any penalty, fine or interest incurred or payable by the Company in connection with or in consequence of any such liability, deduction, contribution, assessment or claim;
 - (b) any liability for any employment-related claim or any claim based on worker status (including reasonable costs and expenses) brought by the Individual or any Substitute against the Company arising out of or in connection with the provision of the Services, except where such claim is as a result of any act or omission of the Company.

12.3 The Company may at its option satisfy such indemnity (in whole or in part) by way of deduction from payments due to the Consultant Company or the Individual.

13. Post-Termination Restrictions

- 13.1 In order to protect the Confidential Information, trade secrets and business connections of the Company and each Group Company to which the Consultant Company and/or Individual has access as a result of the Engagement, the Consultant Company covenants with the Company and shall procure that the Individual also enters into similar covenants benefiting the Company that neither the Consultant Company nor the Individual shall:
- (a) for 12 months after Termination solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business; or
 - (b) for 12 months after Termination in the course of any business concern which is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person; or
 - (c) for 12 months after Termination, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business; or
 - (d) for 12 months after Termination be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business; or
 - (e) at any time after Termination, represent himself as connected with the Company or any Group Company in any Capacity.

- 13.2 None of the restrictions in Clause 13 shall prevent the Consultant Company or the Individual from:
- (a) being engaged or concerned in any business concern insofar as the Consultant's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
 - (b) being engaged or concerned in any business concern, provided that the Consultant's duties or work shall relate solely to services or activities of a kind with which the Consultant Company or the Individual was not concerned to a material extent in the twelve (12) months prior to Termination.
- 13.3 The restrictions imposed on the Consultant Company and Individual by Clause 13.1 apply to either of them acting:
- (a) directly or indirectly including through legal or natural persons under his control or related to him; and
 - (b) on his own behalf or on behalf of, or in conjunction with, any firm, company or person.
- 13.4 Each of the restrictions in this Clause 13 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.

14. Notices

- 14.1 Any notice given under this Agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by delivering it personally, or sending it by pre-paid recorded delivery or registered post to the relevant party at its registered office for the time being or by sending it by fax to the fax number notified by the relevant party to the other party. Any such notice shall be deemed to have been received:
- (a) if delivered personally, at the time of delivery;
 - (b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting;
 - (c) in the case of fax, at the time of transmission.
- 14.2 In proving such service it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery or registered post or that the notice was transmitted by fax to the fax number of the relevant party).

15. Entire Agreement and previous contracts

Each party on behalf of itself and (in the case of the Company, as agent for any Group Companies) acknowledges and agrees with the other party the Company acting on behalf of itself and as agent for each Group Company) that:

- (a) this Agreement together with any documents referred to in it constitute the entire Agreement and understanding between the Consultant Company and the Company and any Group Company and supersedes any previous Agreement between them relating to the Engagement (which shall be deemed to have been terminated by mutual consent);
- (b) in entering into this Agreement neither party nor any Group Company has relied on any pre-contractual statement; and
- (c) the only remedy available to it for breach of this Agreement shall be for breach of contract under the terms of this Agreement and each party shall have no right of action against any other party in respect of any pre-contractual statement. Nothing in this Agreement shall, however, operate to limit or exclude any liability for fraud.

16. Variation

No variation of this Agreement shall be valid unless it is in writing and signed by or on behalf of each of the parties.

17. Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument.

18. Third party rights

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this Agreement and no person other than the Consultant Company and the Company shall have any rights under it. The terms of this Agreement or any of them may be varied, amended or modified or this Agreement may be suspended, cancelled or terminated by Agreement in writing between the parties or this Agreement may be rescinded (in each case), without the consent of any third party.

19. Governing law and jurisdiction

- 19.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law.

Schedule Services

The Individual performs the duties of the Deputy Chief Executive Officer of the Group.

The Individual reports to the Chief Executive Director and is responsible for:

Mentoring various staff members as advised by the Group CEO

Performing various functions on a day to day basis as requested and agreed with the CEO

Undertaking various projects on behalf of the CEO

Deputising in the CEO's absence

Conducting duties as Group Director and director of the various subsidiaries within the Group.

Supports the Board as the Chairman may require from time to time

Performs special and sensitive projects as the CEO or the Board may directIn the area of Public and Investor relations

- a) Acts as an advocate for issues relevant to Coda Octopus, its services and constituencies.
- b) Listens to clients and customers in order to improve customer acceptance of Coda Octopus' products and services.
- c) Serves as chief spokesperson for Coda Octopus.
- d) Responsible for Investor Relations as a whole and for building the Company's stock value
- e) Initiates, develops, and maintains cooperative relationships with key constituencies.

Executed by Coda Octopus Group
acting by Annmarie Gayle
Chief Executive Officer and Director



.....
Signature and Date 15 June 2013

Executed by Taktos Limited acting by
Geoff Turner



.....
Signature and Date 15/6/2013

Dated

1 January 2013

Employment contract

between

Coda Octopus Products, Inc.

and

Mr. Blair Cunningham

contents

clause

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THIS AGREEMENT is dated January 01, 2013

Parties

- (1) Coda Octopus Products, Inc. a Delaware corporation with its principal place of business at 4020 Kidron Road, Lakeland, Florida FL 33811 USA (“**Company**” or “**Employer**”).
- (2) Mr. Blair Cunningham of 10025 Chatham Oaks Court, Orlando, Florida 32836 (**Employee**).

Agreed terms

1. Interpretation

1.1 The definitions and rules of interpretation in this Clause 1.1 apply in this Agreement.

Appointment: the employment of the Employee by the Company on the terms of this Agreement.

Associated Employer: has the meaning given to it in the Employment Rights Act 1996.

Board: the board of directors of the Company (including any committee of the board duly appointed by it).

Capacity: as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Coda Board: the board of directors of Coda Octopus Group, Inc. (“COGI” or “Parent Company”)

Company Board: the board of directors of the Company (Coda Octopus Products, Inc.)

Commencement Date: the date of this Agreement.

Confidential Information: information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of any Group Company for the time being confidential to any Group Company and trade secrets including, without limitation, technical data, know-how relating to the business of any Group Company including without limitation its products, business plan, product development milestones and/or roadmap, key customers, key suppliers’, key resources and their capabilities.

Duty Station: Employer’s principal address.

Employment IPRs: Intellectual Property Rights created by the Employee in the course of his employment with the Company (whether or not during working hours or using Company premises or resources).

Employment Inventions: any invention which is made wholly or partially by the Employee at any time in the course of his employment with the Company (whether or not during working hours or using Company premises or resources, and whether or not recorded in material form).

Group Company or Group: the Company, any company of which it is a Subsidiary (its holding company) and any subsidiaries of the Company or those of its parent company or of any such holding company.

Home Country: Scotland

Home Visits: visits by the Employee and his immediate family (wife and children) to his Home Country from which he was relocated to perform the duties.

Incapacity: any sickness or injury which prevents the Employee from carrying out his duties.

Intellectual Property Rights (IPRs): patents, rights to inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

Pre-Contractual Statement: any undertaking, promise, assurance, statement, representation, warranty or understanding (whether in writing or not) of any person (whether party to this Agreement or not) relating to the Employee's employment under this Agreement which is not expressly set out in this Agreement or any documents referred to in it.

Restricted Business: any business involved in business activities similar to those of the Group's Marine Products Business including in developing software, hardware, firmware or the like for the subsea market

Restricted Customer: any firm, company or person who, during the eighteen (18) months prior to Termination, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Employee had contact or about whom he became aware or informed in the course of his employment.

Restricted Person: any person who is or was an employee, consultant or affiliate of the Company during the preceding six months prior to Termination.

Special Provisions: those set out in Clause 7 of this Agreement.

Staff Handbook: the Company's staff handbook in force from time to time

Subsidiary: in relation to a company (a holding company) means a subsidiary (as defined in section 1159 of the Companies Act 2006) and any other company which is a subsidiary (as so defined) of a company which is itself a subsidiary of such holding company.

Termination: the termination of the Employee's employment with the Company however caused including, without limitation, termination by the Company in repudiatory breach of contract.

- 1.2 The headings in this Agreement are inserted for convenience only and shall neither affect its construction nor its interpretation.
- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 A reference to one gender includes a reference to the other gender.
- 1.5 The schedules to this Agreement form part of (and are incorporated into) this Agreement.

2. Term of appointment

- 2.1 The Company shall employ the Employee on a full time basis and the Employee shall serve the Company on the terms of this Agreement.
- 2.2 The Appointment shall be deemed to have commenced on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until terminated by either party giving the other not less than twelve (12) months prior notice in writing unless the provisions of Clause 11.1 apply.
- 2.3 During the term of this Agreement either party can give notice to terminate without giving reason, as long as the notice period is twelve months. Notice is not effective unless it is in writing and dated and addressed to the Group CEO or the Company Board.
- 2.4 The Employee consents to the transfer of his employment under this agreement to an Associated Employer at any time during the Appointment.

3. Duties

- 3.1 The Employee shall serve as President of Technology and CEO of Coda Octopus Products Inc.
- 3.2 The broad terms of the role description for the Appointment is set forth in Schedule 1 hereto. Notwithstanding the description set forth in Schedule 1 and unless otherwise agreed in writing with the Company Board, the Employee shall perform all duties as are consistent with this position and such other duties that the Company may reasonably assign to the Employee from time to time.
- 3.3 During the Appointment the Employee shall:
- (a) act as a director the Company;
 - (b) comply with the bye-laws of the Company (as amended from time to time) and Group companies which he is a Director;
 - (c) abide by any statutory, fiduciary or common-law duties to the Company and Group companies to which he is a serving Director;
 - (d) not do anything that would cause him to be disqualified from acting as a director in any of the jurisdictions that the Parent Company or Company has its Subsidiaries;
 - (e) unless prevented by Incapacity, devote the whole of his or her time, attention and abilities to the business of the Company and the Group.
 - (f) diligently exercise such powers and perform such duties as may from time to time be assigned to him by the Company;
 - (g) comply with all reasonable and lawful directions given to his or her by the Company;
 - (h) use his or her best endeavours to promote, protect, develop and extend the business of the Company and the Group.
- 3.4 The Employee consents to the Company monitoring and recording any use that she makes of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes.
- 3.5 The Employee shall comply with any electronic communication systems policy that the Company may issue from time to time.
- 3.6 The Employee shall comply with any rules, policies and procedures set out in the Staff Handbook. To the extent that there is any conflict between the terms of this agreement and the Staff Handbook, this agreement shall prevail.

3.7 All documents, manuals, hardware and software provided for the Employee's use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

4. Place of work

4.1 The Employee's normal place of work is at the principal place of business of the Company.

5. Compensation and Benefits

5.1 The Employee shall be paid an annual salary of \$160,000 ("Base Salary"). This salary takes effect from January 1, 2016.

5.2 The Base Salary shall be paid by the Company on a bi-weekly basis.

5.3 The Employee's salary shall be reviewed by the Group Chief Executive, annually. The Company is under no obligation to award an increase following a salary review. There will be no review of the salary after notice has been given by either party to terminate the Appointment.

5.4 The Company may deduct from the salary, or any other sums owed to the Employee, any money owed to any Group Company by the Employee.

5.5 The Employee shall be entitled to participate in the Company's Bonus Scheme in effect from time to time under such terms and conditions as the Board may determine.

6. Health Insurance and other benefits

6.1 Your life insurance, death in service benefits which you enjoyed during your employment with the Associated Employer prior to your relocation to the current Duty Station shall continue.

6.2 In addition, during the term of his employment, the Employee shall be entitled to participate in the Company's permanent health insurance scheme, Dental, Vision, STD, LTD and Group Life Plans at the Company's expense, subject to:

- (a) the terms of the Company's scheme, as amended from time to time;
- (b) the rules or insurance policy of the relevant insurance provider, as amended from time to time; and
- (c) the Employee satisfying the normal underwriting requirements of the relevant insurance provider and the premium being at a rate which the Company considers reasonable.

Full details of the scheme are available from the Group's Acting CFO.

- 6.3 Where the Employee is relocated he will be entitled to the benefits that may be applicable to that duty station.
- 6.4 The Company in its sole and absolute discretion reserves the right to discontinue, vary or amend the scheme (including the level of the Employee's cover) at any time on reasonable notice to the Employee.
- 6.5 If the insurance provider refuses for any reason to provide permanent health insurance benefit to the Employee, the Company shall not be liable to provide to the Employee any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit.

7. Special Provision

- 7.1 The Employee was relocated from his Home Country to the current Duty Station.
- 7.2 In recognition that the Employee's Home Country and therefore a large part of his family life is in his Home Country, as part of the remuneration package, every 15 months for a period of 5 years from 1 November 2016, the Company shall pay the reasonable costs for Home Visits. These costs shall extend to and limited to airfare from Duty Station (economy class) and accommodation for up to 7 days for Home Visits and other reasonable costs which are direct and incidental to the Home Visits (the latter referred to as "Incidental Home Visit Costs). The Incidental Home Visit Costs shall not exceed \$1,000 per trip.
- 7.3 The Company shall provide Compassionate Leave for Home Country.
- 7.4 For a period of 3 years from 1 November 2016, in the event that the Group's Marine Products Business sells in excess of \$14m of its real time 3D solutions in any one financial year (not cumulatively over the 3 year period but within each discrete financial year), the Company shall pay the Employee a one off payment of \$250,000 in recognition that he is the champion of the Company's technology. The CEO shall within 30 days of filing the Company's audited financial statements, provide the Employee with a breakdown of sales of 3D solutions in that financial year. This shall include sonar software, hardware but excludes pan & tilt sales.

8. Expenses

- 8.1 The Company shall reimburse against receipts or other evidence which is satisfactory to the Company, all reasonable and approved expenses wholly, properly and necessarily incurred by the Employee in the course of the Appointment.
- 8.2 Business expenses incurred by the Employee shall be claimed within 3 months of these being incurred.
- 8.3 The Employee shall abide by the Company's policies on expenses as communicated to his or her from time to time.
- 8.4 Any credit card supplied to the Employee by the Company shall be used only for business expenses incurred by his or her in the course of the Appointment.

9. Holidays

- 9.1 The Employee shall be entitled 25 days' paid holiday in each holiday year together with the usual public holidays. If the Appointment commences or terminates part way through a holiday year, the Employee's entitlement during that holiday year shall be calculated on a pro-rata basis rounded up to the nearest whole day. Holiday period runs from 1 January to 31 December.
- 9.2 Holiday shall be taken at such time or times as shall be approved in advance by the Board. The Employee shall not without the consent of the Board carry forward any accrued but untaken holiday entitlement to a subsequent holiday year unless the Employee has been unavoidably prevented from taking such holiday during the relevant leave year by virtue of a period of statutory maternity, paternity or adoption leave.
- 9.3 The Employee shall have no entitlement to any payment in lieu of accrued but untaken holiday save on termination of the Appointment. If either party has served notice to terminate the Appointment, the Board may require the Employee to take any accrued but unused holiday entitlement during the notice period.

10. Outside interests

- 10.1 Subject to Clause 10.2, during the Appointment the Employee shall not, except as a representative of the Group or with the prior written approval of the Board, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation). The Employee will not serve on the board of directors of any Restricted Business or other entity that owns, operates, acquires, sells, develops and/or manages any company which is involved in subsea or sonar inspection or visualization.

10.2 Notwithstanding Clause 10.1, the Employee may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) where such company does not carry on a business similar to or competitive with any business for the time being carried on by the Group.

11. Confidential information

11.1 The Employee acknowledges that in the course of the Appointment he will have access to Confidential Information. The Employee has therefore agreed to accept the restrictions in this Clause 11.

11.2 The Employee shall not (except in the proper course of his or her duties), either during the Appointment or at any time after its termination (howsoever arising), use or disclose to any person, company or other organisation whatsoever (and shall use his or her best endeavours to prevent the publication or disclosure of) any Confidential Information.

11.3 This restriction does not apply to:

- (a) any use or disclosure authorised by the Board or required by law or by the Appointment; or
- (b) any information which is already in, or comes into, the public domain other than through the Employee's unauthorised disclosure; or
- (c) prevent the Employee from making a protected disclosure within the meaning of any applicable employment legislation.

12. Intellectual Property Rights

12.1 The Employee acknowledges that all Employment IPRs, Employment Inventions and all materials embodying them shall automatically belong to the Company to the fullest extent permitted by law. To the extent that they do not vest in the Company automatically, the Employee holds them on trust for the Company.

12.2 The Employee acknowledges that, because of the nature of his or her duties and the particular responsibilities arising from the nature of his or her duties, he has, and shall have at all times while he is employed by the Company, a special obligation to further the interests of the Company.

- 12.3 To the extent that legal title in any Employment IPRs or Employment Inventions does not vest in the Company by virtue of Clause 12.1, the Employee agrees, immediately upon creation of such rights and inventions, to offer to the Company in writing a right of first refusal to acquire them on arm's length terms to be agreed between the parties.
- 12.4 The Employee agrees:
- (a) to give the Company full written details of all Employment Inventions which relate to or are capable of being used in the business of any Group Company promptly on their creation;
 - (b) at the Company's request and in any event on the termination of his or her employment to give to the Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;
 - (c) not to attempt to register any Employment IPR nor patent any Employment Invention unless requested to do so by the Company; and
 - (d) to keep confidential each Employment Invention unless the Company has consented in writing to its disclosure by the Employee.
- 12.5 The Employee waives all his or her present and future moral rights which arise under the any applicable law relating to any copyright which forms part of the Employment IPRs, and agrees not to support, maintain nor permit any claim for infringement of moral rights in such copyright works.
- 12.6 The Employee acknowledges that, except as provided by law, no further remuneration or compensation other than that provided for in this Agreement is or may become due to the Employee in respect of his or her compliance with this Clause.
- 12.7 The Employee undertakes to use his or his or her best endeavours to execute all documents and do all acts both during and after his or his or her his or her employment by the Company as may, in the opinion of the Board, be necessary or desirable to vest the Employment IPRs in the Company, to register them in the name of the Company and to protect and maintain the Employment IPRs and the Employment Inventions. Such documents may, at the Company's request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse the Employee's reasonable expenses of complying with this Clause 12.6.

- 12.8 The Employee agrees to give all necessary assistance to the Company to enable it to enforce its Intellectual Property Rights against third parties, to defend claims for infringement of third party Intellectual Property Rights and to apply for registration of Intellectual Property Rights, where appropriate throughout the world, and for the full term of those rights.
- 12.9 The Employee hereby irrevocably appoints the Company to be his or his or her attorney to execute and do any such instrument or thing and generally to use his or his or her name for the purpose of giving the Company or its nominee the benefit of this Clause 10. The Employee acknowledges in favour of a third party that a certificate in writing signed by any Director or the Secretary of the Company that any instrument or act falls within the authority conferred by this Clause 10 shall be conclusive evidence that such is the case.

13. Termination

- 13.1 Notwithstanding the provisions of Clause 2.12, the Company or the Group Chief Executive may terminate the Appointment with immediate effect without notice and with no liability to make any further payment to the Employee (other than in respect of amounts accrued due at the date of termination) if the Employee:
- (a) is guilty of any gross misconduct affecting the business of the Company or any Group Company;
 - (b) commits any serious or repeated breach or non-observance of any of the provisions of this Agreement or refuses or neglects to comply with any reasonable and lawful directions of the Board; or
 - (c) is, in the reasonable opinion of the Board, negligent and incompetent in the performance of his duties; or
 - (d) is guilty of any fraud or dishonesty or acts in any manner which in the opinion of the Board brings or is likely to bring the Employee or any Group Company into disrepute or is materially adverse to the interests of any Group Company; or is guilty of a serious breach of any rules issued by the Company from time to time regarding its electronic communications systems.
 - (e) Is guilty of any violations of SEC Regulations as they pertain to the Company.
- 13.2 The rights of the Company under Clause 13.1 are without prejudice to any other rights that it might have at law to terminate the Appointment or to accept any breach of this Agreement by the Employee as having brought the Agreement to an end. Any delay by the Company in exercising its rights to terminate shall not constitute a waiver thereof.

14. Obligations upon termination

14.1 On termination of the Appointment (howsoever arising) the Employee shall:

- (a) Resign from all directorship on the Group and its Subsidiaries Board.
- (b) immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business or affairs of the Group, any keys, credit card and any other property of any Group Company which is in his or her possession or under his or her control;
- (c) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in his or her possession or under his control outside the Company's premises; and
- (d) provide a signed statement that she has complied fully with his obligations under this Clause 14.1.

15. Garden leave

15.1 Following service of notice to terminate the Appointment by either party, or if the Employee purports to terminate the Appointment in breach of contract, or, if the Company so decides, at any time during the Appointment **or** in order to investigate a reasonable belief that the Employee is guilty of gross misconduct, the Company may by written notice require the Employee not to perform any services (or to perform only specified services) for the Company or any Group Company until the termination of the Appointment or a specified date. Any period of Garden Leave shall not normally exceed the required notice period set forth in Clause 2.2 of this Agreement.

15.2 During any period of Garden Leave the Company shall be under no obligation to provide any work to, or vest any powers in, the Employee, who shall have no right to perform any services for the Company [or any Group Company].

15.3 Upon being placed on Garden Leave, the Employee shall resign from all directorship on the Group and its Subsidiaries Board. The Company shall be entitled to withhold all payments due until it receives the necessary documents to effectuate the resignation from the relevant boards.

15.4 During any period of Garden Leave the Employee shall:

- (a) continue to receive his salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;
- (b) remain an employee of the Company and bound by the terms of his contract of employment with the Company;
- (c) not, without the prior written consent of the Group CEO, attend his place of work or any other premises of the Company or any Group Company;
- (d) not, without the prior written consent of Group CEO, contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company [or any Group Company]; and
- (e) (except during any periods taken as holiday in the usual way) ensure that Group CEO knows where he will be and how he can be contacted during each working day [and shall comply with any written requests to contact a specified employee of the Company at specified intervals.

16. Post-termination restrictions

16.1 In order to protect the confidential information, trade secrets and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Employee covenants with the Company (for itself and as trustee and agent for each Group Company) that she shall not:

- (a) for eighteen (18) months after Termination solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business; or
- (b) for eighteen (18) months after Termination in the course of any business concern which is in competition with any Restricted Business, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person; or
- (c) for eighteen (18) months after Termination, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business; or
- (d) for eighteen (18) months after Termination be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business; or
- (e) at any time after Termination, represent himself as connected with the Company or any Group Company in any Capacity.

16.2 None of the restrictions in Clause 16.1 shall prevent the Employee from:

- (a) holding an investment by way of shares or other securities in any business which is not a Restricted Business; or
- (b) being engaged or concerned in any business concern insofar as the Employee's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
- (c) being engaged or concerned in any business concern, provided that the Employee's duties or work shall relate solely to services or activities of a kind with which the Employee was not concerned to a material extent in the twelve (12) months prior to Termination.

- 16.3 The restrictions imposed on the Employee by this Clause 16 apply to his or her acting:
- (a) directly or indirectly; and
 - (b) on his or her own behalf or on behalf of, or in conjunction with, any firm, company or person.
- 16.4 Each of the restrictions in this Clause 16 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.
- 16.5 The Employee will, at the request and expense of the Company, enter into a separate Agreement with any Group Company in which he agrees to be bound by restrictions corresponding to those restrictions in this Clause 16 (or such of those restrictions as may be appropriate) in relation to that Group Company.

1. Disciplinary and grievance procedures

- 1.1 The Employee is subject to the Company's disciplinary and grievance procedures, copies of which are available from Group CEO. These procedures do not form part of the Employee's contract of employment.
- 1.2 If the Employee wishes to appeal against a disciplinary decision he may apply in writing to Group Board in accordance with the Company's disciplinary procedure.
- 1.3 The Company may at any time suspend the Employee for a period of up to 4 weeks during any period in which the Company is carrying out a disciplinary investigation into any alleged acts or defaults of the Employee. During any period of suspension the Employee shall continue to receive his salary and contractual benefits.
- 1.4 If the Employee wishes to raise a grievance, he may apply in writing to Group CEO in accordance with the Company's grievance procedure.

2. Reconstruction and amalgamation

If the Appointment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Employee is offered employment with any concern or undertaking involved in or resulting from such reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this Agreement, the Employee shall have no claim against the Company or any such undertaking arising out of or connected with such termination.

3. Notices

3.1 Any notice given under this Agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by delivering it personally, or sending it by pre-paid recorded delivery or registered post to the relevant party at (in the case of the Company) its registered office for the time being and (in the case of the Employee) his last known address, or by sending it by fax to the fax number notified by the relevant party to the other party. Any such notice shall be deemed to have been received:

- (a) if delivered personally, at the time of delivery;
- (b) in the case of pre-paid recorded delivery or registered post, 48 hours from the date of posting; and
- (c) in the case of fax, at the time of transmission.

3.2 In proving such service it shall be sufficient to prove that the envelope containing such notice was addressed to the address of the relevant party and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery or registered post or that the notice was transmitted by fax to the fax number of the relevant party).

4. Entire Agreement and previous contracts

Each party on behalf of itself (and in the case of the Company, as agent for any Group Companies) acknowledges and agrees with the other party (the Company acting on behalf of itself and as agent for each Group Company) that:

- (a) this Agreement together with any documents referred to in it constitute the entire Agreement and understanding between the Employee and the Company and any Group Company and supersedes any previous Agreement between them relating to the Appointment including previous employment contract between the Employee and the Associated Employer (Coda Octopus Products Limited and/or Coda Octopus R&D Limited) or Coda Octopus Group, Inc). in entering into this Agreement neither party nor any Group Company has relied on any Pre-Contractual Statement; and
- (b) the only remedy available to each party for breach of this Agreement shall be for breach of contract under the terms of this Agreement and no party shall have any right of action against any other party in respect of any Pre-Contractual Statement.

Nothing in this Agreement shall, however, operate to limit or exclude any liability for fraud.

5. Variation

No variation of this Agreement or of any of the documents referred to in it shall be valid unless it is in writing and signed by or on behalf of each of the parties.

6. Counterparts

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, and all the counterparts together shall constitute one and the same instrument.

7. Governing law and jurisdiction

7.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of Florida.

7.2 The parties irrevocably agree that the courts of Florida shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1

Role Description

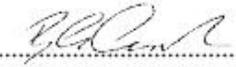
Chief Executive Officer of Coda Octopus Products Inc. (CEO) and President of Technology

Based in Florida

Reports to Board of Coda Octopus Products Inc. and the Chief Executive of Coda Octopus Group

Executed as a deed by Coda Octopus Products, Inc. acting by
Annmarie Gayle


Director


.....



Signed as a deed by Blair Cunningham in the presence of:

Signature of Witness
Name and Address

Niels Soendergaard
GI Strandvej 183
DK-3050 Humlebaek
Lawyer
1 January 2013

Occupation
Date

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

I, Annmarie Gayle and Mike Midgley, certify that:

1. We have reviewed this annual report on Form 10-K of Coda Octopus Group, Inc.:
2. Based on our knowledge, this report 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 report;
3. Based on our knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and us are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and us have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 19, 2016

/s/ Annmarie Gayle

Date: August 19, 2016

/s/ Michael Midgley

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Coda Octopus Group, Inc. (the “Company”) on Form 10-K for the year ended October 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Annmarie Gayle, Chief Executive Officer, and I, Michael Midgley, Acting Chief Financial Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) This report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Annmarie Gayle

Chief Executive Officer

/s/ Michael Midgley

Acting Chief Financial Officer

Date: August 19, 2016

Date: August 19, 2016
