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, 2009

☐ **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	**34-200-8348**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

164 West, 25th Street, 6th Floor, New York
New York 10001
(Address, Including Zip Code of Principal Executive Offices)

(212) 924-3442
(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: $13,224,435.
- 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 the April 30, 2009, representing the last business day of the registrant's most recently completed second fiscal quarter: approximately $320,000. 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: 49,050,244 as of January 21, 2010.

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FORWARD-LOOKING STATEMENTS

This annual report on 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. (“the Company”, “we” or “us”) is engaged in 3D subsea technology and are the developer and patent holder of real-time 3D sonar technology which we expect to play a critical role in the next generation of underwater port security and in other sectors such as oil, gas and construction. We produce hardware, software and fully integrated systems which are sold and supported on a worldwide basis, with wide applications in two distinct market segments:

- *Marine geophysical survey (commercial)*, which focuses on oil and gas, construction and oceanographic research and exploration. Our current products encompass geophysical data collection and analysis, through to printers to output geophysical data collected by sonar that are marketed to survey companies, research institutions and salvage companies. This was our original focus, from founding in 1994. .

- *Underwater defense/security* , which focuses on ports and harbors, state and federal government agencies and defense contractors. We started to focus on this market following the acquisition of OmniTech AS, a Norwegian company, in December 2002 (now operating under the name of Coda Octopus Omnitech AS). Omnitech developed a prototype system, the Echoscope®, a unique, patented instrument which supplies accurate three-dimensional visualization, measurement, data recording and mapping of underwater objects. We have completed developing and are marketing this first real time, high resolution, three-dimensional underwater sonar imaging device which we believe has important applications in the fields of port security, defense and undersea oil and gas development.

In addition, through our two engineering services subsidiaries, Coda Octopus Martech Ltd (formerly Martech Systems (Weymouth) Ltd), based in Weymouth, England, UK, and Coda Octopus Colmek, Inc. (formerly Miller & Hilton, Inc. d/b/a Colmek Systems Engineering), based in Salt Lake City, Utah, US, we provide engineering services to a wide variety of clients in the subsea, defense, nuclear and pharmaceutical industries. These engineering capabilities are increasingly being combined with our product offerings, bringing opportunities to provide complete systems, installation and support.

For the foreseeable future, we intend to intensify our focus on port security. We believe that in the post 9/11 era there are significant growth opportunities available in that particular market segment because of increased government expenditures aimed at enhancing security. Specifically, we believe that we have the ability to capitalize on this opportunity as a result of:

- First mover advantage in 3D sonar markets based on our patented technology, research and development efforts and extensive and successful tests that date back almost two decades as well as the resulting broad customer acceptance, as evidenced by orders for our product and its derivatives from government agencies, research institutes and oil and gas companies, that conduct their own testing prior to placing orders, as well as repeat orders from significant customers for this product and its derivatives. There is usually a significant time period between introduction of the product to a prospective customer and the purchase order. Prospective customers need to test the product in the environment in which they intend to use it to ensure that it is suitable for its intended purpose. We hold the patent for a" *Method for Producing a 3D image* " of, for example, a submerged object and/or underwater environment. This patent, first applied for in Norway in 1998, is recorded in the European Patents Register, Australia, Norway and the USA. This method is the culmination of approximately 20 years of research and testing led by the three inventors/scientists, who worked for OmniTech AS. These individuals continue to work for us and are actively involved in producing and advancing the Echoscope®, which incorporates this patent. We have also recently been granted two (2) additional patents which complements our existing patent for a "*Method for Producing a 3D Image*".

- Early recognition of need for 3D real-time sonar in defense/security applications. We believe that we are the first to bring to market a product with the capability of producing a 3D image of submerged or underwater objects or environment. Prior to the deployment of this method in producing an image of a submerged or underwater object or environment was accomplished strictly by two-dimensional (2D) sonar.

- Expansion into new geographies like North America and Western Europe.

- Expansion into new commercial markets like commercial marine survey and underwater construction with innovative products.

- Recent sole source classification for one of our products and its derivatives by certain government procurement agencies.

Further, we believe the Echoscope® will transform certain segments of the sonar product market. In addition, 3D sonar, currently in the early stages of adoption, has disruptive technology qualities as it has the ability to change industry standard practice in respect of the method for visualization and imaging of underwater objects and environment. Therefore, it will likely change who the suppliers into this market are as well as our market position and that of our competitors. We believe the market opportunities in underwater security and defense could grow at a rapid pace over the next several years.

We also believe that our two acquisitions and formation of our wireless video surveillance subsidiary and our counter-terrorism and anti-piracy training subsidiary strengthen our capabilities to produce comprehensive security and defense systems and solutions and provide new opportunity for us to expand our offerings.

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 Herriott-Watt University, Edinburgh, Scotland. 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. During the late 1990s we achieved significant market penetration in Europe and Asia, but this was difficult to replicate in the USA due to our being a UK based Company at that time, though we did have a US subsidiary which was established to market and sell our products in North America. The delay in effectively breaking into the US market severely limited our growth since this market constitutes the major portion of the worldwide market for geophysical and hydrographic survey. Management of Coda Technologies Ltd therefore embarked upon a program to expand its capabilities in growing the Company with a focus on strategic markets such as defense, homeland security and port security.

In June 2002, we acquired by way of 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 Omnitech 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. Marketed by us under the product name "Echoscope®", this technology is unique in that it delivers real time 3D images and visualization with extremely accurate positioning. This is the subject matter of a patent in a number of jurisdictions, including the USA. This technology, which continues to be developed by our Research and Development team in Norway and Edinburgh, allowed the Company to start to shift the original focus on hydrographic and geophysical survey to include port security and defense, with particular emphasis on the US market.

On July 13, 2004, pursuant to the terms of a share exchange agreement between The Panda Project, Inc., a Florida corporation, and Fairwater Technology Group Ltd. (“Fairwater”), Panda acquired the shares of Coda Octopus Limited, a UK corporation and Fairwater’s wholly-owned subsidiary, in consideration for the issuance of a total of 20,050,000 shares of common stock to Fairwater 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.

Following the reverse merger and in continuance of our program to capture more of the market in the United States and our focus on port security and defense, we established our headquarters in New York City.

In June 2006, we acquired a design and engineering firm, Martech Systems (Weymouth) Ltd ("Martech"), which provides high quality bespoke engineering solutions in the fields of electronic data acquisition, transmission and recording, and has links into our existing markets.

In November 2006, we established in New York City a subsidiary, Innalogic, Inc. which provides encrypted wireless video surveillance products and data transmission capability.

In April 2007, we acquired a Utah-based engineering firm, Miller & Hilton, Inc. d/b/a Colmek Systems Engineering, which is a custom engineering service provider of subsea and other engineering solutions, particularly in the fields of data acquisition, storage and display. This company has particular links into the US defense industry, both directly and through its links with prime contractors.

In November 2008, the Company started a new subsidiary, Coda Octopus Tactical Intelligence, Inc. and recruited two individuals, to improve the Company’s operational and training reach in the sectors in which it competes.

In December 2008, Coda Octopus Martech Ltd, acquired the assets of Dragon Design Ltd, a company based next door to our Martech business in Weymouth. Management believes the companies have complementary skills and capabilities that can enhance revenues and opportunities to our existing Weymouth operation.

Strategy

We have a basis in both underwater geophysical products (Coda Octopus Products Limited and Inc.) sold in large part to the oil and gas market, and defence oriented engineering (Coda Octopus Colmek and Coda Octopus Martech). In adding the unique 3D sonar, Echoscope®, sourced through our own R&D, to our portfolio we have a product that appeals to both the commercial markets serviced by Coda Octopus Products and the defence community. We have successfully sold this product to customers in oil and gas, dredging, underwater construction, and port security businesses, as well as to the US Coastguard.

Our short and medium term strategy is to establish a reliable level of profitability in part through our recently started cost reduction program which we expect will put an end to our historical losses. We intend to use some of the anticipated cost savings in increased global sales and marketing with a concentration on the USA. We also intend to maximise the returns for the Echoscope® product range whilst at the same time achieving double digit growth from our historic businesses. We will continue to concentrate on the markets described above in the next fiscal year.

Operations

We are structured as a holding company for a number of operating subsidiaries, providing corporate management, financing and legal services to group companies. As a public company, based in New York City, this is also our administrative center for our investors and shareholders. We currently operate through nine separate subsidiary companies, which are described below.

Coda Octopus Products, comprising Coda Octopus Products Ltd/Coda Octopus Products, Inc.

Coda Technologies Ltd, a UK corporation, was formed in 1994 as a start-up company with its origins as a research group at Herriott-Watt University, Edinburgh, Scotland. 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. During the late 1990s we achieved significant market penetration in Europe and Asia, but this was difficult to replicate in the US due to our being a UK based company at that time, though we did, and still do, have a US subsidiary which was established to market and sell our products in North America. The delay in effectively breaking into the US market severely limited our growth since such market constitutes the major portion of the worldwide market for geophysical and hydrographic survey. Management of Coda Technologies Ltd therefore embarked upon a program to expand its capabilities, expanding from the original focus on the survey, research, hydrography, and search and recovery sectors of the subsea imaging industry. Coda Technologies Limited has since changed its name to Coda Octopus Limited and more recently to Coda Octopus Products Limited. This company also has a sister company in the US, Coda Octopus Products, Inc., selling the same product range to the North American market.

The Company markets and sells a number of sonar-related products, focused on the marine hydrographic and geophysical survey markets (see 'Products and Services').

Coda Octopus Research and Development, comprising Coda Octopus Omnitech AS/Coda Octopus R&D Ltd

Coda Octopus Omnitech AS is a Norwegian corporation. Coda Technologies Limited (now Coda Octopus Products Limited) acquired Coda Octopus Omintech AS in 2002. At the time of its acquisition by Coda, OmniTech had been engaged for over ten years in developing sonar imaging technology to produce three-dimensional (3D) underwater images for use in the subsea construction industry, which we have since our acquisition further developed and marketed as our flagship product "Echoscope®" which produces and delivers real-time 3D images and visualization in the subsea environments. The focus of Coda Octopus Omnitech operations is on research and development of this technology. Alongside this, our UK subsidiary, Coda Octopus R&D Ltd, focuses on research and development activities, primarily based on software and focused for now on our Echoscope® technology.

Coda Octopus Martech Ltd (formerly Martech Systems (Weymouth) Ltd)

Martech is a company incorporated under the laws of the UK operating under its own brand name in a very specialized niche of high quality design and manufacturing services to the UK defense, nuclear and pharmaceutical industries. We acquired this company in June 2006. Its services are provided on a custom sub-contract basis where high quality and high integrity devices are required in very small numbers.

As a result of Martech's knowledge of the defense industry and the UK government procurement marketplace, the Company becomes aware of upcoming opportunities, allowing an expression of interest and subsequent listing for the appropriate invitations to tender. The Company enjoys certain pre-approvals to allow it to be short-listed for certain types of government work. Much of the more significant business gained by Martech is gained this way through the formal Government or government contractor tendering process.

On December 15, 2008, Martech acquired Dragon Design Ltd. Dragon is an electronics manufacturing and design business employing thirteen staff in leased premises in Weymouth, Dorset, UK. Examples of the type of work that Dragon does are its two long term contracts with DEK International, the leading manufacturer of printing machines for the electronics industry, where the Company supplies both components for new machines and spares for older models, and its relationship with Vector Developments, purveyors of marine night vision equipment for the leisure market.

Coda Octopus Innalogic, Inc. (formerly Innalogic, Inc.)

Co-located with our corporate headquarters at our 25th Street offices in Manhattan, Innalogic, a Delaware corporation, provides wireless encrypted data products currently focused on video surveillance for commercial organizations (domestic and international) and local and US Federal government agencies.

Coda Octopus Colmek, Inc. d/b/a Colmek Systems Engineering ("Colmek") (formerly Miller & Hilton, Inc.)

Colmek, a Utah corporation which we acquired in April 2007, is a service provider of deep ocean and other engineering solutions, particularly in the fields of data acquisition, storage, transmission and display. Founded in 1977, it has grown and diversified since its inception and now provides services and products to a wide range of defense, research and exploration organizations in the US. For more than a quarter century, Colmek has been solving system- and mission-critical problems for its customers. It 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.

Port Security Group, Inc.

We have recently formed this subsidiary to spearhead our drive into port and coastal infrastructure security markets, selling our products, systems and solutions. This will be a key part of the Group through which we will focus our move into complete solutions, with the products and engineering services being provided to this company via our existing capabilities, to avoid duplication. Effectively, Port Security Group will be a bidding and project management company, providing solutions in partnership with other Group entities, as well as products and services from outside the Group.

Coda Octopus Tactical Intelligence, Inc.

Since the end of 2008 we have formed this subsidiary 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. We have recruited 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 terms of sales and training.

We also own separate entities both in the United Kingdom and in the United States that are specifically designed to complete corporate acquisitions, Coda Octopus (UK) Holdings Ltd and Coda Octopus (US) Holdings, Inc.

Our Products

Our products are marketed under two brands, **Coda** ™ and **Octopus** ™. Coda brand products are high-end, enhanced, feature-rich products. They are designed to be used in the most exacting underwater survey, inspection and monitoring requirements. The Octopus brand instruments are rugged, simple-to-use work-horse products used by survey companies, navies and academic organizations, where simple installation and minimal training is required.

Coda™ Brand Products

Coda GeoSurvey Data Acquisition

Our initial focus was the development of systems for use in geophysical services. This entails the visualization and analysis of the seabed which is performed in two forms: *sidescan* using a towfish which generates sonar signals allowing imaging of the seabed itself, highlighting different surface types, textures and objects, and *shallow seismic* which uses low frequency sonar to penetrate through the seabed generating data depicting the below seabed structure. This developed into the Coda GeoSurvey system which acquires both types of data, allowing digital storage of the data and further analysis within the software. This system was launched in 1995 and remains one of our core products. The system operates on both Windows and Linux operating systems and is usually supplied on ruggedized PC type hardware, and is designed to interface with most popular third-party sonar systems. Since developing the initial software, we have implemented a number of additional software modules to allow analysis of the data in a variety of ways. Today, Coda GeoSurvey is widely used throughout the world by commercial survey organizations and research institutes. Specific products include: the DA 2000, for simultaneous acquisition of sidescan and shallow seismic data, the DA 1000, for acquisition of either sidescan or shallow seismic data, and the DA 500, a portable version of the DA 1000. The price for this product ranges from $2,400 to $47,200 per unit.

Coda GeoSurvey Productivity Suite

The GeoSurvey Productivity Suite is a software product enabling acquired sidescan and seismic data to be processed, cleaned, analyzed and interpreted for inclusion in reports and charts. GeoSurvey Productivity Suite comprises an integrated suite of software modules for different tasks according to the needs of the user and can be run on the same hardware as GeoSurvey Acquisition or on a standard PC or laptop. The end products are typically a cleaned image depicting the seabed and its surface features or its underlying layers and features, together with information such as co-ordinates, annotations and interpretations, for integration into geographical information systems (“GIS”). The price for this product ranges from $8,000 to $46,000 per software module or bundle.

Coda Echoscope®

The Echoscope®is a unique sonar device which embodies a patented invention for a method of producing a 3D Sonar Image that permits real time, three-dimensional viewing, imaging and data recording of underwater scenes and objects. The 3D aspect enables the high resolution visualization to be performed from multiple perspectives. It is able to detect moving as well as fixed objects, and unlike optical sensors can detect and image objects in zero visibility water. Unlike conventional 2D sonars that generate narrow beams or fan shaped beams, the Echoscope®uses advanced beam forming techniques to generate over 16,000 individual beams to create instantaneous high resolution 3D images. The Echoscope®is compact, measuring about the size of an average briefcase, thus enabling it to be used from small vessels. It is suitable for over-the-side or bow mounting on vessels of any size or on remotely operated underwater vehicles (“ROV”) and autonomous underwater vehicles (“AUV”). The price for this product ranges from $250,000 to $340,000 per device depending on depth rating.

The Echoscope® has a very wide range of applications including:

- inspection of harbor walls;
- inspection of ship hulls;
- inspection of bridge pilings;
- ROV navigation (obstacle avoidance);
- 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);
- monitoring underwater construction;
- underwater intruder detection;
- dredging and rock dumping;
- contraband detection;
- locating and identifying objects undersea, including mines.

Considerable interest in the Echoscope® has been shown by the United States Coast Guard, NAVSEA, the US Office for Naval Research (ONR), the US Office for Naval Intelligence (ONI), the US Department of Homeland Security and various other defense agencies. The Echoscope®, in its simplest form as a stand alone product, is priced at $250,000. We have sold and delivered 29 of these to customers since its introduction. In addition, a number of these devices are on long term rental in places like the Gulf of Mexico. Among the first purchasers have been United States naval agencies, the United States Coast Guard, research institutions, a construction company in Japan and two construction companies, Van Oordand and Baggermaatschapij Boskalis BV, both based in the Netherlands.

Coda Underwater Inspection System (UIS™)

The Coda Underwater Inspection System or UIS™ is the world's first, and we believe only, fully integrated high resolution real-time 3D inspection system. It delivers precise and intuitive 3D images in real-time, and is designed to inspect large areas with 100% coverage . At the heart of every UIS™ is the unique Echoscope® real-time 3D sonar incorporating our cutting edge phased array technology to simultaneously generate over 16,000 beams. This results in an instant three dimensional sonar image where the position of every data point is accurately known, producing detailed images from a single sonar ping.

To ensure accurate positioning the Echoscope® is integrated with the Octopus F180™ in the UIS™, giving series precision attitude and positioning. This provides absolute positioning at accuracies of up to 10cm (4"), with heading better than 0.05°. High accuracy is the key to ensuring that all data is correctly geo-referenced, enabling real-time mosaicing as well as quick relocation of areas of interest from previous inspections.

As part of a small boat package, the UIS™ includes a ruggedized digital video camera or optional night vision camera to provide a separate and immediately obvious above water reference. For remotely operated vehicle (ROV) installations, the latest laser scaling camera provides an accurate visual cross reference.

Depending on the application and platform, the UIS™ can be combined with a wide range of additional sensors and other sonars to create a fully integrated bespoke package. Centered around the unique and powerful Echoscope® 3D sonar, the integrated UIS™ solution offers significant advantages and superior performance over systems using 2D sonar, sector scan sonar, acoustic lens sonars or underwater video cameras alone.

The price for this product is approximately $495,000.

In July 2007, we received a $2,597,410 order from the U.S. Department of Defense to build and deliver over a period of six months three next generation prototype UIS™ for the US Coast Guard and other potential users, to enable rapid underwater searches in the nation's ports and waterways. The contract includes additional options, exercisable at the sole discretion of the U.S. Department of Defense. If exercised, these options would require us to make enhancements to the existing systems and deliver a further seven UIS™ systems within six months from the time the option is exercised.

The contract was awarded to us on a sole source basis, which means that the product is considered to be available from one source only and under Federal rules may be acquired from that source without a competitive bidding process.

The systems were delivered over the period October to December 2007, with final sign-off of the order received towards the end of December 2007. Under the terms of the agreement, we provided, among other things, operator training and a one year guarantee for each system supplied. The agreement also grants to the purchaser a non-exclusive, non-transferable, irrevocable, paid-up license to practise or have practised for or on behalf of the United States any invention conceived in the performance of the agreement throughout the world. On February 19, 2008, a contract amendment was awarded to us. Under this amendment a number of the options listed below were exercised. These are Option 1 (contract value $634,065), Option 2 (contract value $378,084) and a portion of Option 4. The total value of the contract amendment is $1,527,149. In addition, a further order was made (and completed) for additional development work of $100,000.

On February 6, 2009, a further order was made for $1,152,948 for Option 3, Automated Change Detection. Under the option provisions further options may be exercised by the US Coast Guard under the contract for up to $2,851,750.

The following table sets forth a brief description of the enhancements to the existing systems, their respective purchase prices and the allotted time period for each. Per the terms of the agreement, payments for the product enhancements will be made by the U.S. Department of Defense pending the development and delivery of those enhancements. Since exercise of the options is at the sole discretion of the U.S. Department of Defense, there can be no assurance that the options will be exercised.

Option	Description	Estimated Purchase Price	Time Period for Delivery
Option 1 **RANGE RESOLUTION ENHANCEMENT**	Development of core beam forming hardware and related technology to improve the current 3 or 4cm range resolution to 1 or 2cm, and increase target detection of objects on harbor walls and other close range applications.	$ 634,065	Completed
Option 2 **INCREASE ECHOSCOPE FREQUENCY**	Development of new transducer and channel board hardware to allow operation at higher frequencies (up to 500KHz) which will increase the resolution of the data	$ 378,084	Completed
Option 3 **AUTOMATED CHANGE DETECTION**	Development of software compatible with the UIS platform and designed for on-line detection and post-processing analysis of captured Echoscope®	$ 1,152,948	Expected to be completed April 2010

	data. In essence, the software will have the capability of registering any changes of new data collected against a baseline survey and automatically alert end-user to the changes (i.e the presence of something that was not there on the last inspection - example of a harbor wall).			
<u>Option 4</u> ADVANCED PROTOTYPE UIS SYSTEM	Building of up to seven (7) additional UIS Systems to agreed USCG specifications.	$	3,291,750	Completed
<u>Option 5</u> DEVELOPMENT OF ONE PIECE F190	Development of a F190 Positioning System to replace the standard two piece system currently used in the UIS.	$	247,434	Completed

Octopus® **Brand Products**

Octopus F180™ Precision Attitude & Positioning System

The Octopus F180™ integrates GPS with aerospace motioning sensing devices (gyroscopes and accelerometers) to provide high-accuracy measurements of geographical position and motion in the most dynamic environment at sea, and includes position, heading, heave, pitch and roll as its primary outputs. The primary application is to compensate for the effects of motion on single beam and multibeam echosounders where it is critical to know where the instruments are pointing when depth soundings are being taken in order to ensure accuracy of depth and position.

Developed originally for motor sport (measuring vehicle motion and position) the F180™ is manufactured under license pursuant to which CodaOctopus has exclusive rights to the products so developed. Since its launch in August 2003, the F180™ has become a popular and well regarded sensor with a growing number of customers in the commercial marine survey industry around the world, because of its simplicity of operation and accuracy at a relatively low cost. Modifications and enhancements have resulted in a simple-to-use product that brings highly accurate positioning and motion data into extreme offshore conditions for precision marine survey applications. 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 1cm accuracy. Also available is Octopus iHeave, a software product for dealing with long period ocean swell compensation, fully integrated with the F180™ series. The price for this product ranges from $2,700 to $112,000 per unit.

Octopus 760 Series Geophysical Acquisition System

The 760 series is a range of geophysical data acquisition systems for sidescan sonar and shallow seismic profiling. In common with the Coda GeoSurvey product line, the Octopus 760 integrates with third party sonars and sensors to acquire, display and record data. However, it is designed to be simple to operate and requires minimal training. The 760 series is a self contained instrument rather than software and a PC. There are four variants of the 760 series - the 760D which combines simultaneous acquisition of sidescan sonar and sub-bottom profiler; the 760S which provides ‘either/or’ sidescan sonar and sub-bottom profiler data acquisition; the 460+ for sidescan only; and the 360+ for shallow seismic only. There is also a variant of the 760 series, the 460P, which is re-packaged into a splash-proof hand-portable carry-case for operation in the most demanding of environments such as in small open boats. Combined with compact dual-frequency sidescan sonar and an optional battery pack, the 460P is also available as a complete portable sidescan sonar system and has been supplied to the British Royal Navy amongst other naval and commercial customers. The price for this product ranges from $2,000 to $43,000 per system.

Octopus 361/461 Analysis Software

The 361/461 Analysis Software is a low-cost, reduced capability alternative to the Coda GeoSurvey Productivity suite, providing an entry level product for less demanding sidescan sonar and sub-bottom profiler users. The price for this product ranges from $500 to $10,000 per software bundle.

Octopus® Thermal Printers

In June 2004, the Company acquired a thermal printer product line from Ultra Electronics plc, which we rebranded under the “Octopus” brand name. Octopus® printers are used to produce high quality grayscale continuous images onto thermal paper or film and are ideal for producing hard copy output of geophysical data and other continuous data. They are widely used in the geophysical survey industry in conjunction with other Coda and Octopus products, as well as in defense applications as part of surface ship and submarine detection systems. The price for this product ranges from $100 to $26,500 per printer.

Colmek Products

Stinger™ family of Rugged Small-Form-Factor PCs

CodaOctopus Colmek takes a unique "Total Systems Solutions" approach to meeting customers’ requirements for rugged small-form-factor PCs. Typically our competitors try to fit standard products into complicated applications, while we look at all the requirements and adapt the product accordingly. By taking a modular design approach, we can formulate the best total solution for our customer/partner and do so economically. Coda Octopus 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 field where the average "tough" computer is simply not tough enough, including, mining & 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. We are a key supplier on high profile programs including Raytheon's Phalanx Close-In Defense System (CIDS) Northrop Grumman's airborne mine hunting sonar AN/AQS-24. Enclosures technologies offered by Coda Octopus Colmek include: VME, Micro-TCA, cPCI, VPX and ATR.

Other products offered by Coda Octopus Colmek include: subsea telemetry & data acquisition systems, rugged workstations, analog-to-digital converters, Endurance™ rugged routers, Marathon™ rugged switches, rugged LCD displays, and rugged printers.

Our Services

As a result of the acquisitions of Martech and Colmek, we have moved from being a pure products company to being a comprehensive provider of systems and solutions. Both of these entities focus on producing specific low volume, high value solutions, bringing the Group firmly into the services sector in the defense and homeland security markets. The addition of these design and solution provision capabilities to our Echoscope® product set gives enormous added strength to the business.

Martech

Martech, based in Weymouth, UK, provides bespoke design and manufacturing services. It operates in the very specialized niche of high quality design and manufacturing services mainly to the United Kingdom defense, nuclear and pharmaceutical industries. Its services are provided on a custom sub-contract basis where high quality and high integrity devices are required, but in quite small amounts. Martech is accredited to ISO 9001-2000 and Tick-IT.

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 the past, the Company has designed products such as an air traffic management software system, military sonar test equipment, and equipment for production testing of sensors used in blood analysis equipment. Contracts ranged in amounts between a few thousand dollars up to around a million dollars. The Company is currently bidding on and obtaining contracts in the $500,000 to $1,000,000 range in addition to continuing to seek smaller contracts.

Martech competes with larger contractors in the defense industry. Typical amongst these are Ultra Electonics, BAE Systems, and Thales, all of whom are also partners on various projects. Martech is like many smaller companies a competitor to its customers, who have in-house design facilities, and has to manage these relationships carefully.

Martech's business strategy is to continue to grow profitably in its established niche. It has established credentials with many of the bigger industry players and is well known as a reliable contractor who delivers service and products to the high specifications involved in defense, nuclear and pharmaceutical industries.

Martech provides Coda Octopus with the skills, practices and knowledge to expand its foothold in the UK defense sector and ensures that it can substantiate its credibility as a defense and homeland security supplier. Martech's revenues for the full year ended October 31, 2009 were $2,558,808.

Colmek

Colmek operates in the same specialized niche of high quality design and manufacturing services as Martech but to the US defense sector mainly, though also in commercial sectors in the US. Its services are also provided on a custom sub-contract basis where high quality and high integrity devices are required.

An example of the type of business conducted by Colmek is a contract to produce a system to monitor the build-up of ice on the bows of oil tankers in use in the Barents Sea. Colmek staff developed a monitoring system using strain-gauge sensors, attached directly to the hull of the vessel. Environmental concerns were of paramount importance, as much of the monitoring equipment was to be located in the hull of the ship, where temperatures could drop well below the specifications of standard, off-the-shelf, equipment. Colmek created a system where the captain can monitor actual ice load as measured by the various strain-gauges on the ship's hull.

In the past, the Company has also been engaged on projects such as the design and production of a pipeline inspection vehicle and helicopter-based mine hunting system incorporating sonar, laser, and acoustic payload configurations. Contracts ranged in amounts from very low values to around $2,000,000. For the future Colmek will seek the larger engagements in addition to continuing to seek smaller contracts. Colmek's revenues for the full year ended October 31, 2009 were $3,368,323.

Similarly to Martech, Colmek intends to continue to grow in its existing established niche. It has long standing relationships with many of the major companies in the industry, such as Northrop Grumman and Raytheon. Colmek is a trusted supplier, as well as occasionally being a competitor to these big organizations.

Colmek provides a growing revenue stream in the defense sector, opportunities for cross-selling, raw skills that can be applied across the Group, and the operating synergies to be gained between it and Martech.

Research and Development

The scientists and engineers who work for Coda Octopus OmniTech AS have become the nucleus for our research and development center, based in Bergen, Norway. Our research and development division also includes a team of seven software engineers based in Edinburgh, Scotland, two of whom are original founders of the Coda Octopus Products business.

In Bergen, we have two chief engineers, who between them led the hardware and software development of the Echoscope®, and three other engineers who support this activity, covering mechanical design and engineering and software.

The key drivers for our research and development activities are the lead we believe we have in 3D acoustic imaging and which we aim to maintain over the coming years. Our aim and strategy is to stay at the forefront of this technology, allowing us to generate strong earnings growth from regular new products.

We have recently been investing over $3 million annually in our research and development activities and expect to continue this investment at a level of between $2m and $3m during the current year in order to continue the current pace of research and development, as well as product and intellectual property rights development. Our products are developed in-house by our team of software design, hardware design and engineering, and support staff. In the year ended October 31, 2009, we spent $ 2,652,713 on research and development which was charged to operations.

Production and Manufacturing

Our production process consists of supply chain management, PCB assembly, product assembly , testing and calibration. We do not undertake any metal fabrication and all components are manufactured outside of the Company, bought in as raw materials and then assembled into finished goods.

Assembly of our products has been rationalised from four places down to three at present, with plans to reduce this to two places shortly. Our data acquisition products and motion sensors and printers are currently produced in Weymouth, where Martech also undertake any production required as part of their engineering design services. Similarly, Colmek undertakes any production required as part of its engineering projects in Salt Lake City, Utah. Finally, the production of our Echoscope® product is currently located in Norway, but is moving shortly to our facilities in Utah, and Weymouth.

Marketing

We conduct worldwide sales and marketing through each company individually, with our synergies, national and international exposure sought between 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. The companies are staffed as follows:

- Coda Octopus Products - four persons distributed in the UK and one part time staff member in New York.
- Coda Octopus Martech - three full time staff based in Weymouth, UK
- Coda Octopus Colmek – three full time and one part time staff
- Coda Octopus Innalogic - one staff member based in New York City, USA

Generally, our focus is on widening our market reach and selling broader services, systems and solutions within our existing customer base. Specifically, we have a key focus on Port and Harbor Security, leading with our flagship 3D sonar product Echoscope®, and its added value derivative, the UIS™. Our marketing effort is dedicated to enhancing, reinforcing, and protecting the value of our lead in this huge 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: The extension of our product line (particularly Echoscope®) through adding value to produce both higher added functionality products (eg. UIS™, the Company's Underwater Inspection System), and higher volume products exploiting that same techgnology base.
- Price: The maintenance and enhancement of profit margin through value add (as described above).
- Place: The use of strategic partnerships, at the higher value end of the market, particularly to provide solutions rather than product (eg. 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.
- Promotion: The attendance and illustration of our capabilities at trade shows, use of customer mailing, advertising and trade public relations.

Each of the Group companies has a number of external agents and representatives who are distributed globally for Coda Octopus Products, within the UK for Coda Octopus Martech and within the USA for Coda Octopus Colmek and Innalogic.

Suppliers

Most of the materials and components used in our products are readily available in the marketplace and are delivered pursuant to simple purchase orders. We do not have long term supply contracts with our suppliers with the exception of Oxford Technical Solutions (OTS) with whom we are currently negotiating the renewal of the supply agreement which expired in 2009 according to its terms and under which OTS delivers licensed technology for use in our F180 product line. Other than this specific technology we are not dependent on any materials that could not be obtained from alternative sources if our current suppliers cease to make deliveries to us for any reason.

Government Regulation

Because of the nature of some of our products, they may be subject to United States and other export controls and may be exported outside the United States or the United Kingdom only with the required level of export license or through an export license exception.

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.

Intellectual Property

The Coda Octopus technologies and products are underpinned by strong intellectual property rights including trademarks, copyrights and patents ("IPRS"). We are in the process of augmenting our IPRS portfolio, including rationalizing our brands, seeking to register in the US and other jurisdictions certain trademarks and the filing of a number of new patents in key areas of our business activities. We have a number of fundamental patents including a patent covering the stitching together of acoustic imagery (valid in the US, Europe, Australia and Norway). This covers the real time acoustic image generation element of what we do, and we believe it provides us with a competitive advantage.

Our patented inventions along with our strategy to enhance these are at the heart of the Company's strategy for growth and development. In recognition of this, the Company's Board has adopted for implementation by the Company a Corporate Patent Strategy. This provides for the effective management and organization of our patents and other intellectual property rights. The main goals of our Corporate Patent Strategy are to (i) protect value; (ii) create value and (iii) extract value. Protecting value entails implementing measures aimed at protecting the Company's existing patents and other intellectual property rights. Creating Value aims at working closely with our Research and Development Division to remain at the forefront of 3D sonar technology by ensuring that we make the necessary technological advancements in the market spaces in which we operate and obtain the right legal protection by filing quality new patents. Extract value entails ensuring that our Patents and other Intellectual Property Rights work for us and generate premium revenues.

Patents

We have been granted four (4) patents:

- Patent No. 6,438,071 concerns the "Method for Producing a 3-D Image" and is recorded in the European Patents Register File #SH-44923; Australia #55375/99; Norway #307014 and US Patent Office # 6,438,071. This patent relates to the method for producing an image of a submerged object (3), e.g. a shipwreck or the sea bottom, comprising the steps of emitting acoustic waves from a first transducer toward a first chosen volume.

- Patent No. 6,532,192 concerns "Subsea Positioning System and Apparatus", recorded in the US Patent Office. This patent relates to subsea positioning system and apparatus.

- Patent No. 7,466,628 concerns a 'Method of constructing mathematical representations of objects from reflected sonar signals

- Patent No. 7,489, 592 concerns a 'method of automatically performing a patch test for a sonar system is disclosed, 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'.

In addition, we have applied for the following patents:

- Application number US11760417 concerns "Combined pressure compensator and cooling unit";
- Application number US12061298 concerns "Acoustic coating";
- Application number US12103839 concerns "Fast averaged volumetric rendering of large sets polar/range data using minimal intermediate storage"; and
- Application number US12138702 concerns "Edge enhancement of 2D polar range data using a common cartesian coordinate system".

Trademarks

In marketing and branding our products and services we use the following registered and unregistered trademarks:

Coda ®
Octopus®
Octopus & Design®
F180 ®
Echoscope ®
UIS™

In addition, we have registered the internet domain names "codaoctopus.com", "codaoctopusgroup.com", "theportsecuritygroup.com", "3dsonar.com", "portsecurity.com", martechsystems.co.uk and colmek.com with various ICANN-certified domain name registrars.

Competition

We compete with numerous companies, some of which are much larger than we are with much greater financial, technical and human resources.

Products

The sonar equipment industry is fragmented with several companies occupying niche areas, and we face specific competition from different competitors with respect to our different products. In the field of geophysical products Chesapeake, a US-based company, and Oceanic Imaging Consultants, Hawaii, USA, dominate the market with an estimated 30% each of world sales, while we believe that we are just behind this with 25%.

In the field of motion sensing equipment, we believe that we have four principal competitors - TSS (International) Ltd in Watford, England which is focused on the mid-performance segments with about 30% of the world market; Ixsea, a French company which covers all segments, with about 25% of the market; Seatex, a Norwegian company, part of Kongsberg Simrad 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% at present.

In the area of grayscale thermal printers, there are two companies besides us who compete in this small market. EPC Labs, Massachusets, US, have around 40% of the market, mainly in the US; iSys of Canada have around 20% of the market; we have around 40% of the market, mainly in Europe and Asia.

In the field of 3D real time imaging, we believe that we have no direct competition at present since no other companies offer such a product. There is, however, no assurance that others will not enter this area with competing products.

We seek to compete on the basis of producing quality products employing cutting edge 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.

Services

We are involved in custom engineering for the defense industry in the US, and for the defense, nuclear and pharmaceutical industries in the UK. The size of these companies means that there is significant competition provided by other small engineering contracting firms, but the largest competition comes from the decision by larger companies to proceed with a project in-house instead of outsourcing to a sub-contractor like Martech or Colmek. In essence, the potential of each company is determined by their ability to be known and trusted by potential clients, and the make or buy decisions made by those potential clients.

Employees

As of the date hereof, we have 88 employees:

- 5 are employed in research and development in our Bergen facility
- 9 are employed in research and development in Edinburgh
- 17 are employed in sales, marketing, production and administration in Edinburgh
- 4 are employed in management, administration and sales at our New York City office
- 3 are employed in sales and support in Florida
- 30 are employed in Weymouth
- 20 are employed in Colmek in Salt Lake City, the main categories of employees being engineers and technician.

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 2. PROPERTIES

New York City, New York, USA. Our corporate offices, and those of our wholly owned subsidiary, Coda Octopus Innalogic, are located at 164 West 25 th Street, 6 th Floor, New York, New York 10001. We lease premises comprising approximately 750 square feet pursuant to a renewable lease which expires on June 30, 2011. The lease provides for a monthly rental of $3,000.

Salt Lake City, Utah, USA .Our wholly owned subsidiary, Coda Octopus Colmek, Inc. d/b/a Colmek Systems Engineering, leases approximately 7,170 square feet of business premises at 1775 and 1785 South 4130 West Suites, Salt Lake City UT 84104, Utah comprising both office space, manufacturing and testing facilities. The lease provides for a monthly rental of $6,504.00 excluding property tax and utilities and during the term is subject to an annual rental increase of 3% every April. The lease expires in September 30, 2014.

Edinburgh, Scotland, UK. Our wholly owned UK subsidiary, Coda Octopus Products Limited, leases business premises comprising 4,099 square feet and located at 2 nd Floor, Anderson House, 1 Breadalbane Street, Edinburgh, Scotland. The space comprises a main floor which houses sales and support staff and our software product development team. The building is located close to the Port of Leith and Firth of Forth, which is convenient for conducting trials and demonstrations of our products. The lease provides for an annual rental of £65,584 and expires on September 26, 2016. Pursuant to the provisions of the lease, we may terminate the lease without penalty on or after the fifth anniversary of the lease agreement, which is September 26, 2011.

We also lease workshop and manufacturing facilities at Units 8 and 10 Corunna Place, Edinburgh, Scotland comprising 1,797.5 square feet and used as workshop space. The lease provides for a rental of £12,705 per annum (£1,058.75 per month). We have served notice to surrender the lease which expires on 31 July 2010.

Weymouth, England, UK. Our UK wholly owned subsidiary, Coda Octopus Martech Limited leases business premises located at 14 Albany Road, Granby Industrial Estate, Weymouth, Dorset, England DT4 9TH comprising 5,000 square feet. This space comprises both office space and manufacturing and testing facilities. The lease provides for an annual rent of £29,985 and expires on September 30, 2013. The lease provides for an annual rent increase of 3% of the last annual rent.

We also lease 4,800 square feet within close proximity of Martech's premises. This houses our wholly owned subsidiary, Dragon Design Limited. The lease provides for an annual rent of £26,328 increasing at 3% per annum each August, and expires in August 2015.

Bergen, Norway. Our Norwegian subsidiary, Coda Octopus Omnitech AS, leases 2,370 square feet of business premises in a recently refurbished maritime business center directly on the waterway connected to Bergen harbor. This serves as our Research and Development center with purpose-built laboratories for electronic and mechanical development. The lease provides for a rental of NOK 440,500 per annum and expires in May 31, 2012. We have sub-leased a part of these premises.

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. Except as described below, we are currently not aware of any such legal proceedings that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

We are currently engaged in two lawsuits.

The first one involves the former Chief Executive Officer of our subsidiary, Coda Octopus Colmek, Inc. (Scott DeBo v Miller & Hilton, Inc. d/b/a Colmek Systems Engineering and Coda Octopus Group, Inc. File No. 080923661). Mr DeBo claims breach of his employment contract, tortuous interference with his contract, termination in violation of public policy and failure to pay wages when due. He filed a complaint and an amended complaint on November 10, 2008 and December 10, 2008, respectively. We answered the amended complaint denying Mr. DeBo's allegations, raising affirmative defenses on December 22, 2008 and intend to defend ourselves vigorously. The Parties have now completed the discovery process and we expect the hearing to be scheduled for the second quarter of this financial year.

The second one involves Federal Engineering & Marketing Associates Inc (FEMA) a Colorado corporation. FEMA is a former sales representative of Coda Octopus Colmek, FEMA claims breach of contract and seeks various relief in the District Court, Routt County, Colorado (Case Number 2009CV278). We have answered the complaint which included a counter-claim. We intend to defend ourselves vigorously in these proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

Our common stock was included for quotation on the OTC Bulletin Board under the symbol CDOC from October 3, 2007 until October 2009. Since that time, it has been included for quotation in the pink sheets. We intend to take all requisite action to have our common stock re-included on the OTC Bulletin Board as soon as possible.

The following table shows the reported high and low closing bid quotations per share for our common stock based on information provided by the OTC Bulletin Board for the period starting October 3, 2007. Particularly since our common stock is traded infrequently, such over-the-counter market quotations reflect inter-dealer prices, without markup, markdown or commissions and may not necessarily represent actual transactions or a liquid trading market.

Year Ended October 31, 2008	HIGH	LOW
First Quarter	$ 0.88	$ 0.45
Second Quarter	$ 0.80	$ 0.35
Third Quarter	$ 0.39	$ 0.28
Fourth Quarter	$ 0.30	$ 0.11

Year Ending October 31, 2009	HIGH	LOW
First Quarter	$ 0.20	$ 0.11
Second Quarter	$ 0.16	$ 0.05
Third Quarter	$ 0.12	$ 0.05
Fourth Quarter	$ 0.11	$ 0.01

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 January 18, 2010, we had approximately 398 shareholders of record.

Recent Sales of Unregistered Securities

No sales of unregistered securities have occurred that were not previously reported.

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

Coda Octopus develops, manufactures, sells and services real-time 3D sonar and other products, as well as engineering design and manufacturing services on a worldwide basis. Headquartered in New York City, with research and development, sales and manufacturing facilities located in the United Kingdom, United States and Norway, the Company is engaged in software development, defense contracting and engineering services through subsidiaries located in the United States and the United Kingdom.

Founded in 1994, Coda operated for ten years as a private company based in the UK. By the late 1990s, the Company had developed a strong reputation as a developer and marketer of high quality software-based products used for underwater mapping, geophysical survey and other related marine applications.

Shortly after September 11, 2001, management was introduced to, and in December 2002 completed the acquisition of OmniTech AS, a Norwegian Company that had developed and patented a prototype system called the **Echoscope®**. The Echoscope® permits accurate three-dimensional visualization, measurement, data recording and mapping of underwater objects – in effect, the ability to "see" an object underwater in real time.

Management believed that real-time 3D sonar could represent a truly disruptive technology with the potential to change industry standard practices and procedures. It envisioned significant applications for this technology in Defense, Underwater Port Security, Oil and Gas Exploration and Security, Bridge Repair, and large-scale Underwater Construction projects. Given these beliefs, the Company decided that the best way to gain access to the capital and the visibility needed to commercialize real time 3D sonar, and to successfully enter multiple worldwide markets in the post 9/11 environment would be to move its headquarters to the USA, and to become a publicly traded company in the United States.

On July 13, 2004 Coda Octopus became a public company through a reverse merger with The Panda Project, Inc., a publicly traded Florida corporation. As a result of the transaction, Coda and its shareholders, including its then controlling shareholder, Fairwater Technology Group Ltd, were issued 20,050,000 common shares comprising approximately 90.9% of the then issued and outstanding shares of Panda. Subsequently, Panda was reincorporated in Delaware, and changed its name to Coda Octopus Group, Inc. By mid 2005, the Company had completed the move of its headquarters from the UK to New York City.

Since moving to New York, the Company has accomplished a series of objectives:

1. It raised approximately $33 million in funds, through three private placements primarily with institutional investors. The Company raised approximately $8 million in 2006, approximately $13 million in April/May 2007, and approximately $12 million in a convertible debt transaction that was completed in February 2008.

2. It completed the commercialization of the Echoscope® and successfully deployed its real-time 3D technology and products on three continents with major corporations, governments, ports, law enforcement agencies and security organizations.

3. It significantly broadened both its revenue base and its base of expertise in engineering, defense electronics, military and security training, and software development primarily through the acquisition of four privately held companies. Management believes that broadening the base of the Company in these specific areas was necessary to position Coda Octopus as a reliable and experienced contractor, subcontractor and supplier of 3D sonar products and systems on a worldwide basis.

4. Beginning in July 2007,the US Department of Defense (DoD) Technical Support Working Group (TSWG) funded Coda Octopus to build and deliver next-generation Underwater Inspection Systems™ (UIS) for the US Coast Guard and other potential users. The program has included money to build and deliver current systems, as well as a roadmap for their future development. During the year ended October 31, 2007, the Company delivered three UIS systems to the US Coast Guard against a purchase order totaling $2.59 million. In FY 2008 the Company was funded for an additional $1.53 million to develop certain mutually agreed technical enhancements to the system. The Company's latest contract with TSWG covers the funding of an additional $1.4 million for additional enhancements and the delivery of additional systems. The Company believes it has successfully completed the key second-stage enhancements sought by the DoD and the Coast Guard. As a result, management believes that the Company is positioned to build and deploy fully integrated systems that meet the highest standards in the world.

   These will enable users to "see" objects that are smaller than a baseball from a distance of more than 100 meters, and to do so in all kinds of ocean or water conditions at virtually any depth. In addition, the Company through its Colmek subsidiary, has more than 20 years of successful experience as contractor with the Department of Defense, and as a subcontractor with various large primes, most particularly Raytheon.

5. The Company has also taken advantage of its first mover status in real-time 3D sonar to start to open up several potentially significant vertical markets in the private sector. Thus far, the three areas of focus have been Dredging, Underwater Construction, and Security. In each of these areas, the Company has selected a lead customer and has worked with that customer to develop and deploy a system that management believes will have wide application throughout the segment. In the case of Rotterdam-based Van Oord, Coda Octopus was funded to develop a particular application, and in other cases the Company has financed the development internally.

The Company believes that the largest potential markets for real-time 3D sonar are with government authorities both in the US and throughout the world. Here in the US, the Company has deployed systems Jacksonville Sheriff **,** FL, and in Contra Costa County, CA, with immediate interest in at least six additional locations. Overseas the Company has deployed systems in Korea, Japan, the United Kingdom and the Middle East, and has significant opportunities in Germany, Singapore, Malaysia and the Netherlands. Our main challenges are the long lead times in purchasing cycles, the current economic environment, and the initial adoption of new technology, which can take several years to effect.

The consolidated financial statements include the accounts of Coda Octopus and our domestic and foreign subsidiaries that are more than 50% owned and controlled, which includes Dragon Design Limited (now fully integrated into Coda Octopus Martech Limited.), which was fully acquired on December 15th 2008 and is based in Weymouth, Dorset, United Kingdom.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the 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.

Products and Services

We are engaged in 3D subsea technology and are the developer and patent holder of real-time 3D sonar products, which we expect to play a critical role in the next generation of underwater port security and oil, gas and construction. We produce hardware, software and fully integrated systems, which are sold and supported on a worldwide basis, with wide applications in a number of distinct markets:

- Marine geophysical survey (commercial), which focuses on oil and gas, and oceanographic research and exploration, where we market to survey companies, research institutions and salvage companies. This was our original focus, with current products spanning geophysical data collection and analysis, through to printers to output geophysical data collected by sonar.

- Underwater defense/security, where we market to ports and harbors, state, local and federal government agencies, law enforcement agencies and defense contractors. We have recently completed developing and commenced marketing our Underwater Inspection System (UIS™), the first real-time, high resolution, three-dimensional underwater sonar imaging system, which we believe has particularly important applications in the fields of port security, defense and undersea oil and gas development.

- Underwater construction, where our products are used for real-time monitoring of sub-sea construction, a particularly challenging environment. We have also developed for one of our customers a tailored software application to allow the laying of concrete Accropodes™ (large concrete blocks) used for constructing breakwaters. The advantage of our real-time system is in giving visibility where previously divers were used to help with the construction, a dangerous and inefficient process.

- Dredging, where our products are used for pre-dredge survey and in a real-time mode where they monitor the quality and precision of the dredge. The advantage we give is in improving the dredge quality and drastically reducing the time involved – for example, if a re-dredge is required, this can be done immediately from the information we provide, instead of days or weeks later, when a new vessel may even have to be used, incurring much greater cost.

- Other applications, such as shallow water hydrography underwater logging, debris survey and treasure hunting.

In addition, through our two engineering services subsidiaries, Coda Octopus Martech Ltd, based in Weymouth, England, UK, and Coda Octopus Colmek, based in Salt Lake City, Utah, USA, we provide engineering services to a wide variety of clients in the subsea, defense, nuclear, government and pharmaceutical industries. These engineering capabilities are increasingly being combined with our product offerings, bringing opportunities to provide complete systems, installation and support.

For the foreseeable future, we intend to continue our focus on port security. We believe that in the post 9/11 era there are significant growth opportunities available in that particular market segment because of increased government expenditures aimed at enhancing security. Specifically, we believe that we have the ability to capitalize on this opportunity as a result of:

- First mover advantage in 3D sonar markets based on our patented technology, our research and development efforts and extensive and successful testing in this area that date back almost two decades as well as broad customer acceptance.
- Early recognition of the need for 3D real-time sonar in defense/security applications.
- Expansion into new geographies like North America and Western Europe.
- Expansion into new commercial markets like commercial marine survey with innovative products.
- Recent sole source classification for one of our products and its derivatives by certain government procurement agencies.

Further, we believe the Echoscope® will transform certain segments of the sonar products market. In addition, 3D sonar, currently in the early stages of adoption, has disruptive technology qualities as it has the ability to change industry standard practice in respect of the method for visualization and imaging of underwater objects and environment. Therefore, it will likely change who supplies into this market as well as our market position and that of our competitors. We believe the market opportunity in underwater security and defense could grow at a rapid pace over the next several years.

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 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, Colmek Tactical and Innalogic businesses.

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

<u>Introduction</u>

Results for the year ending October 31, 2009 (the “2009 Period”), include two new operations, Coda Octopus Tactical Intelligence, Inc and Dragon Design Ltd, both of which were acquired during the period. This should be taken into account when comparing the 2009 Period with the year ending October 31, 2008 (the “2008 Period”).

<u>Recent Developments</u>

Cash Framework Agreement

On March 16, 2009 the Company entered a “Cash Control Framework Agreement” with the Royal Bank of Scotland (the debt holder pursuant to which it is assumed that, subject to the Company being compliant with the terms of the transaction documents entered into on February 21, 2008, no adverse actions will be taken by the debt holder). This agreement has been extended until March 16, 2011 and it creates debtor book financing package to allow the Company to obtain up to $2.15M in working capital in exchange for receivables or project financing. As part of the terms of that agreement, the Company committed to a cost reduction program (including management pay cuts) to reduce significantly our SG&A, R&D and Capital Expenditure costs by an annualized $3.35 million.

In addition, on January 18, 2010, the debt holder waived for one year its right to demand repayment of the loan as a result of our failure to observe certain specified loan covenants

Cost Cutting Program

In February 2009, we embarked on a cost reduction program. This resulted in annualized savings of at least $3.35 million for the 2009 Period. Actual savings for the 2009 Period amounted to $2.1 million against budget. These cost savings against budget were achieved in the following areas:

Description	Amount
Reduction in Research and Development:	$ 321,837
Reductions in other SG&A costs	$3,061,991
Total SG& A Cost Savings	$3,383,828
Reductions in Capital Expenditure	$ 179,725

The following table shows actual quarterly savings against budget for the 2009 Period

Period	Amount
Quarter Ended January 31, 2009	$ 237,000
Quarter Ended April 30, 2009	$ 419,000
Quarter Ended July 31, 2009	$ 750,000
Quarter Ended October 31, 2009	$ 707,000
Total cost saving against budget for the 2009 Period	$2,113,000

Since September 2009 we have accelerated our program of reducing the levels of management in the Group. We have eliminated the "Senior Vice President" level of management and now have a total of three full time staff members (reduced from twelve) who are not employed in any of our subsidiaries. We have also eliminated a large number of arrangements with consultants and Government lobbyists.

The Group's management now consists of a Group CEO (with overall responsibility for Group performance), Group Financial Officer, CTO (who also manages the Group's R&D), and the CEOs of the various Group Companies

We believe that the cost cutting program has achieved its objectives and we expect to maintain our SG&A at around $8.5 million during the current fiscal year (down from approximately $11.238 million for the 2009 Period). We intend to reinvest some of the savings in additional sales and marketing staff to ensure that we are gaining the maximum advantage from our leading technology and skills. We also anticipate hiring one more senior executive to operate at Group level.

Reorganization

The Company commenced a reorganization program which has separated the operations into two geographic segments (Europe and the Americas). The goal of the reorganization is to centralize functions into the engineering companies located in Weymouth, UK (currently Coda Octopus Martech) and Salt Lake City, US (currently Coda Octopus Colmek). The R&D unit will become a more horizontal unit working to make advances in our core technology (3D sonar) while helping to spread these advances across the Group, as well as promoting technology advances from other parts of the Group.

Within our products company in Edinburgh, we have formed a dedicated unit which is focused entirely on the Echoscope® rollout plan for the various markets the Company has identified. The function of this unit is to oversee production, development, documenting and delivering the core product to the defined markets. Manufacturing of the Echoscope® will move to Salt Lake City (Colmek), to comply with the Defense Department's preference to have technology products manufactured domestically, and to Weymouth, UK, (Martech).

Although the economic environment has been challenging, the markets that the Company addresses – engineering, defense, oil and gas, and security – are less affected than many others. We intend to continue to exploit our lead in 3D real-time sonar, while tactically streamlining the business to be profitable at a much lower revenue rate.

On or around September 2009, we also reorganized our executive and management structure by eliminating the Senior Vice President (SVP) tier which comprised eight SVPs and replacing the Group CEO who had been the founder and Group CEO since inception. Our management structure now consists of a Group CEO (with overall responsibility for Group performance), Group Financial Officer, CTO (who also manages the Group's R&D), and the CEOs of the various Group Companies.

Comparison of fiscal year ended October 31, 2009, compared to fiscal year ended October 31, 2008.

Introduction

Coda Octopus Martech acquired Dragon Design in December 2008. Therefore, financial information for Martech for the 2009 Period includes activity in Dragon . This should be taken into account when comparing the 2009 Period with the 2008 Period.

Revenue: Total revenues for the 2009 Period and the 2008 Period were $13,224,435 and $16,968,992 respectively, representing a decrease of 22.1%. Contributing factors to the decrease were the global economic downturn, a particular slowdown in the oil and gas market globally, and the hiatus in Government business brought about by the Presidential elections, and the particular focus on Government procurement, and where we saw only one of our planned minimum of four sales of our Echoscope®.

Gross Margins: Margins were weaker in the 2009 Period at 52.2% (gross profit of $6,908,474) compared to 59.1% ($10,027,635) in the 2008 Period, reflecting a different mix of sales in our businesses (products versus project work). In particular the slowdown in the oil and gas and Government procurement markets had a direct impact on the sales of our Echoscope® and we realised only one of our budgeted minimum of four sales for 2009. These factors caused a drop in product income.

Whilst our skills businesses also to, a lesser degree, suffered from the slowdown because the profile of these businesses is of project work running over a period of months and years the effect of any change of growth rate is spread over time rather than the small number of weeks between order and delivery typical of products businesses.

Research and Development (R&D). R&D spending decreased from $3,525,023 in the 2008 Period to $2,652,713 in 2009 in line with our commitment to the holder of our secured convertible notes. However, this level of spending still allows us to devote considerable R&D resources to bring forward product variants of our core technology that we plan to introduce to the market over the next months.

Selling, General and Administrative Expenses (SG&A). SG&A expenses for the 2009 Period decreased to $11,238,961 from $13,204,254 in 2008, a reduction of 14.9% which reflects activity under the cost reduction plan that has been executed during 2009 and hitherto in 2010. Of this 2009 total (of $11,238,961), $1,039,892 is due to one-time charges associated with termination payments to directors and management. Excluding this amount would reduce SG&A to $10,199,069 or 22.7%.

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

	2009	2008
Rent & Utlilities	211,550	156,560
Office Exps	176,816	332,096
Payroll	1,773,265	2,055,700
Insurance	241,872	106,226
Professional	3,106,217	1,578,088
Forex	41,511	643,382
Marketing	320,330	824,593
Travel	203,834	362,673
Sale of Asset	1,096	-
Total Corp SG&A	6,076,491	6,059,319
Depreciation and Amortization	279,821	198,185
Stock Compensation	226,710	939,286

Key areas of 2009 Period expenditure include wages and salaries, where we spent $6,835,266 or 49.2% during the 2009 Period against $8,202,854 or 49.0% of our SG&A cost during the 2008 Period; legal and professional fees, including accounting, audit and investment banking services, where we spent $3,293,878 or 23.71% in 2009 against $1,357,114 or 8.1% of our SG&A costs in 2008 - this increase is due to legal fees, and provisions associated with defending the two legal cases described in Item 4 above and accounting; travel costs reduced to $476,677 or 3.3% in 2009 from $782,615 or 5.63% of SG&A in the 2008 Period, rent for our various locations increased in 2009 to $715,910 or 5% against $701,528 or 4.2% of SG&A in 2008; marketing reduced in the 2009 Period to $522,576 or 3.6% of SG&A against $1,240,508 or 7.4% of SG&A in 2008, as we reduced the number of consultants engaged in the Business.

Operating Loss. We incurred a loss from operations of $6,983,200 in the 2009 Period against $6,701,642 in the 2008 Period. This increased loss is attributable to falling revenues, particularly in sales of products during the downturn in the oil and gas industry and the hiatus in Government sales brought about by the 2009 Presidential election.

Interest Expense . Interest expense increased in the 2009 Period to $1,846,883 from the 2008 Period interest costs which were $1,538,724. In both years we have included amortization of the 30% redemption premium for our convertible note, at a cost of $514,285 for 2009 against $348,493 for 2008. We have accrued interest on the convertible bond of $195,150, ahead of payment of this latter amount in February 2010.

Dividends and Other Stock Charges. In the 2009 Period, dividends were due only on outstanding Series A Preferred stock, and totalled $47,382 for the year, versus $129,568 in 2008.

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, 2009:

	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	$ 994,081	$ 994,081		
Short term Investment	$ 51,000	$ 51,000		
Total	$ 1,045,081	$ 1,045,081	-	-
Liabilities:				
Notes Payable	$ 13,233,523	$ -	$ 13,233,523	-
Total	$ 13,233,523	$ -	$ 13,233,523	-

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, 2008 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, 2009.

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

Liquidity and Capital Resources

The Company's financial statements have been prepared assuming it will continue as a going concern. For the fiscal year ended October 31, 2009, the Company has an accumulated deficit of $59,130,336, negative working capital of $442,520, a capital deficit of $7,915,102 and generated a deficit in cash flow from operations of $1,665,070 in 2009 Period against $5,261,562 in the 2008 Period. The Company has been dependant 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. Management believes that based upon its current cost reduction program to reduce expenses by $3.35 million annually; based upon our reorganization of our business, customer prospects have been enhanced and is evident in receipt of approximately $3.9 million dollars of additional contracts and purchase orders during the first quarter of fiscal year end 2010; based upon the Company's cash flow projections for it business operations through January 2011; collectability of its receivables in the ordinary course of business; based on the Noteholder's 12 month extension of the cash control framework agreement as discussed in Note 12 and the Noteholder's agreement to waive its right to demand repayment of the loan until March 16, 2011, the Company will be able to continue its operations through October 31, 2010. The Company's ability to continue as a going concern is ultimately dependent upon achieving profitable operations and generating sufficient cash flows from operations to meet future obligations.

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, respectively.

Until recently, the Company’s operations were conducted primarily 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 additional, we are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. Although the Company cannot predict the extent to which currency fluctuations may or will affect the Company's business and financial position, there is a risk that such fluctuations will have an adverse impact on the Company's sales, profits and financial position. 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 been affected by the rapid strengthening of the average value of the US dollar against the British pound sterling from $1.94 in 2008, to $1.54 in 2009, an approximate 20.6% appreciation in value. These are the values that have been used in the calculations below.

The translation of the Company’s Norwegian operation’s Kroner denominated balance sheets into US dollars, as of October 31, 2009, has also been affected by the currency fluctuations of the US dollar against the Kroner from and average rate of $0.186 during 2008, to $0.154 during 2009, an approximate 18% change in value. These are the values that have been used in the calculations below.

The impact of these currency fluctuations on the 2009 Period is shown below:

	Pound Sterling		Norwegian Kroner		
	Actual Results	Constant Rates	Actual Results	Constant Rates	Total Effect
Revenues	$ 7,319,662	$ 9,211,649	$ 98,366	$ 118,593	$ 1,912,215
Costs	7,395,197	9,306,708	41,290	49,781	1,920,002
Net Income/(Losses)	(75,535)	(95,059)	57,075	68,812	(7,787)
Assets	16,604,650	16,374,676	894,178	762,033	(362,120)
Liabilities	13,335, 020	11,296,309	630,886	534,433	(2, 135,164)
Net Assets	3,269,630	5,078,367	263,293	227,600	1,773,044

This table shows that the effect of constant exchange rates, versus the actual exchange rate fluctuations, reduced profits for the year by $7,787 and increased net assets by $1,773,044. In addition, the Company booked transactional exchange rate gains of $34,478 during 2009. All of these amounts are material to our overall financial results.

Financing Activities

Equity Offerings

On April 30, 2006, we issued 2,377 shares of our Series A Preferred Stock to a group of individual investors for total cash consideration of $407,100. An additional 4,943.88 shares of our Series A Preferred Stock were issued to various individuals as repayment of $734,628 in debt. The aggregate value of these issuances was $1,141,728 for a total of 7320.88 shares.

In June 2006, we issued to one institutional investor units consisting of 23,000 shares of our Series B Preferred Stock and two five-year warrants to purchase 4.6 million shares of our common stock at a price ranging from $1.30 to $2.00 per share for total cash consideration of $2,300,000. Of these shares of Series B Preferred Stock, 4,819 were converted into 481,900 shares of common stock in April 2007 and 18,181 shares of Series B Preferred Stock were repurchased by us. These repurchased shares have now been cancelled.

In July 2006, we issued to two individual investors 820 shares of our Series A Preferred Stock for a total cash consideration of $82,000. These have since been converted into 82,000 shares of our common stock.

From September 2006 through January 2007, we issued to one institutional investor units consisting 23,000 shares of our Series B Preferred Stock and four five year warrants to purchase 4.6 million shares of our common stock at a price ranging from $1.3 to $2.00 per share and 650,000 shares of our Common Stock for a total cash consideration of $2,300,000. The 23,000 shares of Series B Preferred Stock were converted into 2,300,000 shares of our common stock in March 2007.

On October 31, 2006, we issued to one investor 500 shares of our Series A Preferred Stock for a total consideration of $50,000. These have since been converted into 50,000 shares of our common stock.

In January 2007, we issued to one investor 3,000 shares of our Series B Preferred Stock plus five-year warrants to purchase 300,000 shares of our common stock at $1.30 per share and five-year warrants to purchase 300,000 shares of our common stock at $1.70 per share for a total cash consideration of $300,000. The 3000 shares of Series B Preferred Stock have since been converted into 300,000 shares of our common stock.

In April 2007 we issued to an individual investor 25,000 shares of our common stock plus five-year warrants to purchase the same amount of shares of common stock (of which 12,500 may be purchased at $1.30 and the balance at $1.70 per share) for a total of $25,000.

In April and May, 2007, the Company consummated a series of securities purchase agreements with a group of accredited individual and institutional investors providing for the sale and issuance of 15,025,000 shares of our common stock and five-year warrants to purchase 7,512,400 shares of common stock at $1.30 per share and five-year warrants to purchase 7,512,500 shares of common stock at $1.70 per share. Gross proceeds from the offering amounted to $15,025,000, generating $13,877,980 after costs. Also, in the period, we raised $800,000 from the sale of preferred stock and warrants, with the preferred stock since converted into common stock. We also issued five-year warrants to purchase 2,400,000 shares of our common stock at $1.00 per share as part of placement agent fees.

Secured Convertible Debentures

On February 21, 2008 we entered into and completed the transactions contemplated under a series of agreements providing for the issuance to a London based institutional investor, The Royal Bank of Scotland plc of 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 mature 84 months after the date of issuance at which time they are redeemable at 130% of the face amount of the Notes. The Notes accrue interest at the annual rate of 8.5% which is payable in semi-annually in arrears. The Notes also stipulate additional interest payments of 2% per annum above the base rate quoted by The Royal Bank of Scotland plc from time to time, in the event that the semi-annual interest payments are not paid by us on the due dates. All of these amounts are payable by us in cash. Of the proceeds, $6,000,000 constituted a specific purpose loan and in the event that we failed to use the proceeds as agreed within 12 months from the closing, then, unless alternative investments were approved by the holders of the Notes, this $6,000,000 was repayable in February 2009. In such case there will be a partial redemption of 60 of the notes (having an aggregate nominal value of $6 million). During the term, the Notes 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.

In August 2008, we notified the Noteholder that we believed that we would be unable to use the $6,000,000 in the manner agreed to under the terms of the Notes. In response, the Noteholder orally consented to the use of an additional $2 million of the $6,000,000 for general working capital purposes. It should be noted that the transaction documents provides that all amendment shall be in writing signed by the parties and this was not obtained by the Company and therefore not valid.

In January 2009, we notified the Noteholder that the balance of the $6,000,000 had fallen below $4 million.

On March 16, 2009, the Company and 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 have had to adhere to a strict cost cutting program which has involved reducing our SG&A, R&D and capital expenditure by an annualized $3.35 million and in this financial year, whilst we have achieved the required costs cut, we expect to maintain our SG&A at around $8.5 million level. The cash framework agreement was extended for a further period of 12 months and now expires on March 16, 2011.

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 waiver will expire on the first anniversary of the waiver letter.

Our ability to survive current financial difficulties resulting from our cash flow deficit is dependent on our capacity to generate revenues from the sale of our products and services. In addition, we are highly dependent on the discretion of the Noteholder to release cash to us to cover our operating expenses.

Nevertheless, by adjusting our operations and development to the level of capitalization, we believe we will have sufficient capital resources to meet projected cash flow deficits. However, if during fiscal 2010 we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations liquidity and financial condition In order to fund our operations in the financial year 2009/2010, we estimate that we need to generate $2 million in cash in addition to the funds potentially available to us under the Cash Control Framework Agreement to be able to continue our operations at their current levels. We will also need to increase our sales significantly in the fiscal year 2009 to 2010. We are currently negotiating with several large prospective US-based customers. Successful sales to these entities are expected to provide us increased liquidity. However, there can be no assurance that we will be successful in gaining these additional customer contracts or that we will gain them in good time.

Other than disclosed herein, we presently do not have any available credit, bank financing or other external sources of liquidity. Due to our brief history and historical operating losses, our operations have not been a source of liquidity. We will need to obtain additional capital in order to expand operations and become profitable. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding.

Our current financing options are limited due to onerous anti-dilution provisions contained in the Purchase Agreements entered into in April and May 2007. Under the terms of the Purchase Agreements, the investors who purchased stock in the Company thereunder are entitled to receive shares of common stock without additional consideration any time we sell equity securities at a price per share of less than $1.00. Therefore, we will likely have to renegotiate the terms of the Purchase Agreements before we are able to raise additional equity financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and the downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. In addition, our stock was recently stricken from the OTC Bulletin Board for failure to make our periodic filings on a timely basis. This will further impact on the liquidity of our stock putting further downward pressure on its price and making it less likely that we will be able to raise equity financing.

We will seek to enter into negotiations with our existing investors with the objective of revising the terms of the existing investment documents. We have also entered into preliminary discussions with the holder of the convertible note to prevent it from taking actions adverse to us and to have the debt be reclassified on our books from a short term obligation to a long term obligation. On January 18, 2010 the note holder notified us in writing that it had waived its right to demand repayment of the loan as a result of the failure to observe certain specified loan covenants. The waiver will expire on the first anniversary of the waiver letter. We can give no assurance that we will be successful in any of these efforts. If we are unable to raise additional capital in the near future, it may have to curtail its business operations significantly.

Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

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.

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(T). 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 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, 2008. 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, 2009. 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 resources and 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, 2009, 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) a restructuring of our existing personnel in order to achieve a full-time equivalent position in our accounting and analysis processes; (iii) reviewing our accounting process; and, (iv) and reviewing our control procedures with the aim of in developing on-going test plans to assure compliance and enhancement as needed to existing controls.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Group Financial Officer, 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 override of 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, 2009 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 our executive officers and directors as of the date hereof:

Name	Age	Position(s)
Geoff Turner	57	Chief Executive Officer, Interim Chief Financial Officer and Director
Blair Cunningham	40	Chief Technology Officer and Head of R&D Operations
Frank B. Moore	73	Director

Geoff Turner has been with the Company since May 2006 and during this time has had a number of roles including Senior Vice President, Mergers and Acquisitions of Coda Octopus Group, Inc. and President European Operations. In September 2009 he was appointed as Chief Executive Officer. He was appointed interim Chief Financial Officer in January 2010. Previously, he served as a consultant from November 2005 to April 2006 through his consultancy company Taktos Limited. Mr. Turner is also a Director of the Company's subsidiaries, Coda Octopus Martech Limited and Coda Octopus Products 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.

Blair Cunningham has served as 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 Weight Management Group Ltd, Aberdeen. Mr. Cunningham received an HND in Computer Science in 1989 from Moray College of Further Education, Elgin, Scotland.

Frank B. Moore has been with the Company since May 2006 and has held a number of roles including Senior Vice President, Government Relations of Coda Octopus Group, Inc. Currently, Mr. Moore serves as Director of Coda Octopus Group Inc and Director of Coda Octopus Colmek Inc. Since December, 2001, Mr. Moore has served as Chairman of Ulysses Financial, a company engaged in private equity financing. Between January 1977 and January 1981, Mr. Moore served as Assistant to the President of the United States. His chief responsibility was the Administration's relations with Congress. Mr. Moore reported directly to the President and also worked on international matters such as the Panama Canal Treaty and the Strategic Arms Limitations Talks (S.A.L.T. II). Prior to his position in the White House, Mr. Moore served as Assistant, and later as Chief of Staff, to the Governor of Georgia, Jimmy Carter. Between July, 1982 and September, 1998, Mr. Moore was Vice President for Government Affairs and Public Policy for Waste Management. Mr. Moore earned his BBA from the University of Georgia and completed the Advanced Management Program at Harvard Business School.

Election and Removal of Directors

All directors of the Company are elected at its annual meeting of stockholders to hold office until the next annual meeting of stockholders and until their successor is elected and qualified, or until such director’s earlier death, resignation or removal. All officers of the Company serve at the pleasure of the Board, subject to their contractual rights.

The Company’s Certificate of Incorporation provides that any director or all the directors of a single class (but not the entire board of directors) of the Company may be removed, at any time, but only for cause and only by the affirmative vote of the holders of at least 2/3 of the voting power of the outstanding shares of capital stock of the Company entitled to vote generally in the election of directors cast at a meeting of the stockholders called for that purpose. Notwithstanding the foregoing, whenever the holders of any one or more series of preferred stock of the Company shall have the right, voting separately as a class, to elect one or more directors of the Company, the preceding provisions shall not apply with respect to the director or directors elected by holders of preferred stock.

We do not currently have any Board committees and all functions typically performed by Board committees are performed by the Board of Directors as a whole. We are in the process of identifying new members for our Board and intend to establish one or more Board committees as soon as practicable.

ITEM 11. EXECUTIVE COMPENSATION

The Summary Compensation Table shows certain compensation information for services rendered for the fiscal years ended October 31, 2008 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 2009 and 2008 of $1.94143 and $1.9840 to £1, respectively.

Name and Principal Position	Year	Salary	Bonus	Restricted Stock Awards	Option Awards	All Other Compensation	Total
		($)	($)	($)	($)(5)	($)(6)	($)
Jason Reid (1)	2009	289,904	-0-	-0-	-0-	10,200	500,385
President & CEO	2008	375,000	-0-	-0-	15,635	10,200	400,835
Blair Cunningham (2)(3)	2009	161,875	-0-	-0-	-0-	18,866	239,333
Chief Technology Officer	2008	178,815	-0-	50,000(7)	10,423	50,095	243,866
Anthony Davis (2)	2009	161,875	-0-	50,000(7)	-0-	72,825	262,063
President US Operations	2008	178,815	-0-	-0-	10,423	11,962	236,962
Geoff Turner (2)(4)	2009	161,875	-0-	50,000(7)	-0-	15,328	204,566
President European Ops	2008	178,815(7)	-0-	-0-	10,423	15,833	240,833

(1) Reid resigned his position as the Company's President and Chief Executive Officer effective September 23, 2009 and as Director on January 27, 2010.
(2) All cash amounts were paid in UK Pounds (the conversion rate used in this table for these amounts is stated above).
(3) Mr. Davis resigned his position effective January 16, 2010.
(4) Mr. Turner became Chief Executive Officer effective September 23, 2009.
(5) Amount represents the aggregate grant date fair value computed in accordance with ASC 718. Information regarding the assumptions made in the valuation reported and material terms of each grant are incorporated herein by reference from "Note 4 Capital Stock" to our Consolidated Financial Statements for the Year Ended October 31, 2009.
(6) 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.
(7) Comprised of 40,159 shares valued at $50,000.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2009*
Option Awards

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price ($) (e)	Option Expiration Date (f)
Jason Reid(1)	400,000		$ 1.00	May 2010
President and Chief Executive Officer	25,500	49,500	1.30	August 2013
Anthony Davis (2)	200,000		$ 1.00	May 2010
President US Operations	17,000	33,000	1.30	August 2013
Geoff Turner(3)	150,000		$ 1.00	May 2010
President European Operations	17,000	33,000	1.30	August 2013
Blair Cunningham	237,500		$ 1.30	May 2012
Chief Technology Officer	17,000	33,000	1.30	August 2013

* 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.

(1) Reid resigned his position as the Company's President and Chief Executive Officer effective September 23, 2009 and as Director on January 27, 2010.
(2) Mr. Davis has resigned his position effective January 2010. All options granted to him will expire within 90 days after that date, unless exercised.
(3) Geoff Turner was appointed the Company's Chief Executive Officer effective September 23, 2009

DIRECTOR COMPENSATION*
(During Last Completed Fiscal Year)

Name** (a)	Fees Earned or Paid in Cash (1) ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d) (6)	Total ($) (j)
Paul Nussbaum	$ 7,500(2)	$ -0-	$ 57,675(6a)	$ 87,675
Rodney Peacock	$ 5,000(3)	$ -0-	$ 38,450(6b)	$ 58,450
Frank Moore	$ 6,042(4)	$ 60,000	$ -0-	$ 66,667
Faith Griffin	$ 4,167(5)	$ 60,000	$ 52,016(6c)	$ 121,349
Nicholas Franks	$ 6,042(6)	$ -0-	$ -0-	$ 6,042

* 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) Consists of an annual retainer in the amount of $22,500 and $1,875 per board meeting attended.
(3) Consists of an annual retainer in the amount of $12,500 and $1,875 per board meeting attended.
(4) Consists of an annual retainer of $12,500 and $1,875 per board meeting attended. Pro-rated in accordance with appointment as a director with effect from July 1, 2008.
(5) Consists of an annual retainer of $12,500 and $1,875 per board meeting attended, $4,000 per annum as Chair of the Audit Committee, and $4,000 per annum as member of the advisory board. Pro-rated in accordance with appointment as a director with effect from July 1, 2008.
(6a) Comprising 75,000 options valued based on date of issue using Black Scholes method and booked into our accounts as an expense.
(6b) Comprising 50,000 options valued based on date of issue using Black Scholes method and booked into our accounts as an expense.
(6c) Comprising 250,000 options valued based on date of issue using Black Scholes method and booked into our accounts as an expense.
(6d) On or around September 23, 2009 all retainers with Directors were terminated (with the exception of retainer with Mr. Frank Moore).

Compensation of Directors

Effective on the date of his election on July 10, 2008, Frank Moore (in his capacity as a director) is paid $20,000 per annum (consisting of a $12,500 basic fee plus $1,875 per meeting, for up to four meetings per year with additional meetings to be paid for at a rate of $500 per meeting). He also received a grant of 200,000 shares of common stock, to be issued over a period of 24 months. In addition, Mr. Moore was granted a five year option to purchase 200,000 shares of common stock and 50,000 shares of common stock at $1.30 per share, respectively. Further, he will receive an annual grant of 50,000 options (with a strike price to be determined at the time of grant). No such options were issued by the Company in the fiscal year 2008/2009.

Employment Agreements

Blair Cunningham

On July 1, 2005, the Company entered into an Employment Agreement with Blair Cunningham. The Agreement has an indefinite term until terminated pursuant to said Agreement. Mr. Cunningham agreed to serve as Senior Vice President, Products Division (now Chief Technology Officer). Pursuant to said Agreement, Mr. Cunningham was paid a base annual salary of approximately $150,000 Mr. Cunningham shall be entitled to receive an annual cash and stock incentive bonus for each fiscal year based upon a level of accomplishment of management and performance objectives as established by the Compensation Committee. At its meeting held in October 2006 and in accordance with its remit our then existing Compensation Committee approved an increase in the base annual salary to $175,000, effective November 1, 2006. During the fiscal year 2008/2009 Mr. Cunningham agreed to a 10% salary reduction.

Mr. Cunningham is entitled to receive 50,000 shares of the Company's common stock for services performed through October 31, 2006 and thereafter $50,000 of common stock annually, paid quarterly. Mr. Cunningham is entitled to 40 business days vacation for each calendar year, reimbursed for business expenses, entitled to directors and officers liability insurance during his employment with the Company and for a period of three years after termination, shall receive a mutually agreed upon amount of relocation expenses to the USA and either provided with a vehicle or up to $5,000 per annum in lieu of specific reimbursement expenses for use of a personal vehicle and indemnification to the maximum extent permitted by law against all costs and expenses incurred by him, including cost of his legal counsel. Mr. Cunningham is also entitled to participate in all Company life, health and disability insurance, pension, deferred compensation and incentive plans, options and awards, performance bonuses and other benefits extended by the Company as a matter of policy to its executive employees. He shall also be entitled, at the Company's cost, to the benefit of a disability insurance policy or plan during his employment.

With effect from November 1, 2007, the annual grant of common stock is replaced by an equivalent amount in number of options in the Company. For the year ended October 31, 2008, Mr Cunningham therefore received 50,000 options in the Company. No such options were issued by the Company in 2009.

Geoff Turner

On November 1, 2006, the Company entered into a one year Consulting Agreement with Taktos Ltd., a United Kingdom corporation owned by Geoff Turner. The Agreement requires Taktos Ltd. to provide the services of Geoff Turner during the term of the Agreement to provide the following services:

(a) assist the Company's Management with the analysis and effective and optimal implementation of its business plan;
(b) oversee the Company's European operations and performance of the Group;
(c) explore acquisitions, strategic alliances, partnering opportunities and other cooperative ventures within and without its industry focus;
(d) evaluate possible acquisitions and strategic strategies and partnering candidates, including the evaluation of targets and the structuring of related transactions; and
(e) advise and consult with executive officers with respect to any of the above described matters.

The Company is paying approximately $178,000 per annum to the consultant for providing the services of Mr. Turner. Consultant is also entitled to reimbursement of travel and other expenses. During the financial year 2008/2009 Mr. Turner agreed to a 10% salary reduction. Pursuant to a separate option agreement with Mr. Turner who serves as an executive officer, the Company granted him five year options to purchase 150,000 shares of common stock with 34% having vested on November 1, 2005 and with 33% having vested on each of November 1, 2006 and 2007. He is also entitled to directors' and officers' liability insurance during his tenure as an executive officer with the Company and for a period of three years after termination. Our then existing Compensation Committee approved in October 2006 the renewal of this contract and approved an increase in the compensation package paid for the services of Mr. Turner effective November 1, 2006 we are paying Taktos Limited $178,000 for Mr. Turner's services.

Effective November 1, 2007, the annual grant of common stock is replaced by an equivalent amount in number of options in the Company. For the year ended October 31, 2008, Mr Turner therefore received 50,000 options in the Company. No such options were issued by the Company in fiscal year 2008/2009

The Company is in the process of negotiating a new agreement with Mr. Turner.

Stock Option Plans

2004 Plan

In October 2004, the Board approved and on June 27, 2006, the stockholders ratified the Company's 2004 Employees, Directors, Officers and Consultants Stock Option and Stock Award Plan (the "2004 Plan"), which provides for, among other things, the award of up to 2,500,000 shares of Common Stock.

Pursuant to the 2004 Plan, officers, employees, directors and consultants of the Company and certain of its subsidiaries are eligible to receive awards of stock options and restricted stock. Options granted under the 2004 Plan may be ISOs or non-qualified stock options ("NQSOs"). Restricted stock may be granted in addition to or in lieu of any other award made under the 2004 Plan.

The maximum number of shares of Common Stock reserved for the grant of awards under the 2004 Plan is 2,500,000. Such share reserves are subject to further adjustment in the event of specified changes to the capital structure of the Company. The shares may be made available either from the Company's authorized but unissued capital stock or from capital stock reacquired by the Company.

The Compensation Committee of the Board of Directors (or, if there is no such committee, the Board of Directors) administers the 2004 Plan. Subject to the provisions of the plan, the Compensation Committee will determine the type of awards, when and to which executives awards will be granted, the number of shares covered by each award and the terms, provisions and kind of consideration payable (if any), with respect to awards. The Compensation Committee may interpret the plan and may at any time adopt such rules and regulations for the plan as it deems advisable, including the delegation of certain of its authority. In determining the persons to whom awards shall be granted and the number of shares covered by each award, the Compensation Committee takes into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Compensation Committee deems relevant.

The Compensation Committee may provide for the payment of the option price in cash, by delivery of common stock having a fair market value equal to such option price, by delivery of options or warrants having an intrinsic value equal to such option price or by a combination thereof or by any other method. Options granted under the 2004 Plan will become exercisable at such times and under such conditions as the Compensation Committee shall determine.

The Board of Directors may at any time and from time to time suspend, amend, modify or terminate the 2004 Plan; provided, however, that, to the extent required by any other law, regulation or stock exchange rule, no such change shall be effective without the requisite approval of the Company's stockholders. In addition, no such change may adversely affect an award previously granted, except with the written consent of the grantee.

The Company has issued all the options allowable under the 2004 Plan and all of said options are Non-qualified options as stockholder approval of the 2004 Plan was not obtained within one year of Board approval, as required under the Internal Revenue Code of 1986, as amended.

2006 Plan

On March 2, 2006, the Board approved and on June 27, 2006, the stockholders ratified the Company's 2006 Employees, Directors, Officers and Consultants Stock Option and Stock Award Plan (the "2006 Plan"), which provides for, among other things, the award of up to 2,500,000 shares of Common Stock.

Pursuant to the 2006 Plan, officers, employees, directors and consultants of the Company and certain of its subsidiaries are eligible to receive awards of stock options and restricted stock. Options granted under the 2006 Plan may be ISOs or non-qualified stock options ("NQSOs"). Restricted stock may be granted in addition to or in lieu of any other award made under the 2006 Plan.

The maximum number of shares of Common Stock reserved for the grant of awards under the 2006 Plan is 2,500,000. Such share reserves are subject to further adjustment in the event of specified changes to the capital structure of the Company. The shares may be made available either from the Company's authorized but unissued capital stock or from capital stock reacquired by the Company.

The Compensation Committee of the Board of Directors administers the 2006 Plan. Subject to the provisions of the plan, the Compensation Committee will determine the type of awards, when and to which executives awards will be granted, the number of shares covered by each award and the terms, provisions and kind of consideration payable (if any), with respect to awards. The Compensation Committee may interpret the plan and may at any time adopt such rules and regulations for the plan as it deems advisable, including the delegation of certain of its authority. In determining the persons to whom awards shall be granted and the number of shares covered by each award, the Compensation Committee takes into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Compensation Committee deems relevant.

An option may be granted on such terms and conditions as the Compensation Committee may approve, and generally may be exercised for a period of up to five years from the date of grant. Generally, ISOs will be granted with an exercise price at the minimum equal to the "Fair Market Value" on the date of grant. In the case of ISOs, certain limitations will apply with respect to the aggregate value of option shares which can become exercisable for the first time during any one calendar year, and certain additional limitations will apply to ISOs granted to "Ten Percent Stockholders" of the Company (as defined in the 2006 Plan). The Compensation Committee may provide for the payment of the option price in cash, by delivery of common stock having a fair market value equal to such option price, by delivery of options or warrants having an intrinsic value equal to such option price or by a combination thereof or by any other method. Options granted under the 2006 Plan will become exercisable at such times and under such conditions as the Compensation Committee shall determine.

The Board of Directors may at any time and from time to time suspend, amend, modify or terminate the 2006 Plan; provided, however, that, to the extent required by any other law, regulation or stock exchange rule, no such change shall be effective without the requisite approval of the Company's stockholders. In addition, no such change may adversely affect an award previously granted, except with the written consent of the grantee.

2008 Plan

On March 26, 2008, our Board of Directors adopted and on July 1, 2008, our stockholders ratified the 2008 Employees, Directors, Officers and Consultants Stock Option and Stock Award Plan (the "2008 Plan"). The plan provides for the issuance of up to 2,500,000 shares of common stock. The main features of the 2008 Plan are similar to those of the 2006 Plan.

To date, 1,025,000 options have been issued under the 2008 Plan.

As of October 31, 2009,[we had granted non-qualified options to purchase an aggregate of 5,545,900 shares of the Company's common stock at exercise prices ranging from $1.00 per share to $1.80 per share, of which 5,197,649 have vested].

2008 Stock Purchase Plan

On March 26, 2008 our Board of Directors adopted the 2008 Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan has not been ratified by our stockholders.

The Purchase Plan provides that, at the discretion of the Board, the Company will make "Offerings" to employees and participating consultants to purchase stock under the Purchase Plan. Offerings will begin each June 1, September 1, December 1, and March 1, or the first business day thereafter (the "Offering Commencement Date"). Each Offering Commencement Date will begin a three-month period (the "Offering Period") during which payroll deductions will be made and held for the purchase, in the open market, of Common Stock at the end of the Offering Period. The Board or a Committee may, at its discretion, choose a different Offering Period of twelve (12) months or less for Offerings.

For Offering Periods ending after November 30, 2008, the Company will grant to the employee an option to purchase one share of common stock for each share acquired by the employee or participating consultant for the applicable Offering Period.

To date, no shares have been purchased under the Purchase Plan. In addition, no options have been granted under the Purchase Plan.

Limitation on Stock Option Plans

Under the Subscription Agreement entered into between the Company and The Royal Bank of Scotland, plc on February 21, 2008, there are certain restrictions on the adoption of new stock option plans by the Company. In particular, until the redemption of the notes, the Company may only adopt new stock option plans on substantially similar terms to its existing stock option plan 2006 and it may not issue stock options under any plan (or outside any such plan) at a price which is less than $1.05.

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, 2009, 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 January 28, 2010 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 49,050,244 shares issued and outstanding as of January 21, 2010.

Unless otherwise indicated, the address of each beneficial owner is in care of the Company, 164 West 25 th Street, 6 th Floor, New York, NY 10001. 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.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership of Common Stock (2)	Percent of Common Stock
Geoff Turner (3)	223,659	*
Blair Cunningham (4)	523,659	1.1%
Frank B. Moore (5)	298,659	*
Greenhouse Investments Limited (6) 12-14 David Place St. Helier Jersey JE24TD	23,299,839	44.9%
The Royal Bank of Scotland plc (7) 135 Bishopsgate, London EC2M 3UR, England	11,428,571	18.9%
Vision Opportunity Master Fund Limited (8) 317 Madison Avenue, Suite 1220.New York, NY 10017	4,943,276	9.9%
All Directors and Executive Officers as a Group (three persons):	1,045,977	2.1%

* Less than 1%.
(1) Unless otherwise indicated, the address of all individual and entities listed below is c/o Coda Octopus Group, Inc. 164 West 25th Street, 6th Floor, New York NY10001.
(2) The number of shares indicated includes (i) shares issuable upon the exercise of outstanding stock options or warrants held by each individual or group to the extent such options and warrants are exercisable within sixty days of February 27, 2009.
(3) Includes 183,500 shares issuable upon exercise of currently exercisable options.
(4) Includes 283,500 shares issuable upon exercise of options.
(5) Includes 233,500 shares issuable upon exercise of options.
(6) Includes 2,796,418 shares usable upon exercise of warrants. Christiaan de Bruyn, principal director of Greenhouse, has voting and dispositive power over the securities held by Greenhouse.
(7) Consists of shares issuable upon conversion of convertible notes.
(8) Consist of 4,314,700 shares of Common Stock and 628,576 shares of Common Stock issuable upon currently exercisable warrants. The warrants contain a provision that limits their exercise to the extent that Vision's ownership percentage would exceed 9.9% of our issued and outstanding common stock of the Company. Adam Benowitz, portfolio manager, has investment and dispositive power of the shares held by this entity.

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

Between June 2006 and January 2007, we sold to Vision Opportunity Masters Fund, Ltd., 46,000 shares of Series B preferred Stock and 650,000 shares of common stock for a total of $4,600,000. We also granted five-year warrants to purchase an aggregate of 9,200,000 shares of Common Stock at an exercise price ranging from $1.30 to $1.70 per share. In accordance with Emerging Issues Task Force ("EITF") No.00-27, a portion of the proceeds were allocated to the warrants based on their relative fair value, which totaled approximately $3,261,016, using the Black Scholes option pricing model. Further, we attributed a beneficial conversion feature of approximately $1,338,985 to the Series B preferred shares based upon the difference between the conversion price of those shares and the closing price of our common shares on the date of issuance, limited to the proceeds attributable to the sale of the preferred shares. The warrants contained cashless exercise provisions, anti-dilution provisions in the event of stock splits, stock dividends, combinations, reclassifications and the like and sales of stock below the exercise price. The cashless exercise provisions have now been amended by way of agreement between the parties in March 2007. The warrants are also redeemable on the fifth anniversary from the date of grant at an amount equal to three times the conversion price. We also granted Vision a nine month option to subscribe for and purchase up to 10,000 Units consisting of one share of Series B Preferred Stock, one Series A Warrant and one Series B Warrant at a purchase price of $100.00 per Unit. This option has now been exercised. At the time of Vision's purchase of our securities, it also entered into a registration rights agreement for us to register the resale of Vision's shares of Common Stock issuable upon conversion of the Series B Preferred Stock and upon exercise of the Series A and Series B Common Stock Warrants. The agreement had provided for this be filed within 75 days of the closing date and effective within 175 days after the closing date. The Unit Purchase Warrant also contains certain registration rights to file within 45 days after the Unit Purchase Warrant is exercised in whole or in part, but not more than two registration statements and to have the registration statement declared effective within 135 days after the Unit Purchase Warrant is partially or fully exercised. Contemporaneously with Vision's purchase of securities, Mr. Jason Reid, Mr. Bill Ahearn (now deceased) and the Company entered into lock-up agreements that have now expired.

In March 2007, the Company and Vision entered into an Amendment of the Securities Purchase Agreement whereby, amongst other things, the obligations of the Company to register the securities sold were waived and deemed to have effect from the inception of the parties' agreement. Vision also entered into an agreement for the lock up of all its securities for a period of 12 months from March 21, 2007. Between March 2007 and May 2007, Vision exercised its rights to convert its preferred stock into the Company's Common Stock and 27,819 shares of Series B Preferred Stock were converted into 2,781,900 shares of the Company's Common Stock. Further, pursuant to the terms of the private offering of the Company that was completed in April 2007, the Company on May 10, 2007, repurchased 18,181 shares of Series B Preferred Stock from Vision at a purchase price of $110 per share. A total of $1,999,910 was paid for the repurchase of these shares. Vision paid an aggregate of $1,818,100 for these shares at the time of purchase, which included warrants, as discussed in the previous paragraph. As discussed further in the previous paragraph, these warrants were valued at $3,261,016 on the date of purchase by Vision. The repurchased shares of Series B Preferred Stock were cancelled by the Company. The repurchase was financed from the proceeds of the private offering completed in April 2007 and accords with the use of proceeds provision in the offering. The warrants that were issued still remain in Vision's ownership.

In February 2008 all directors entered into lock-up agreements to restrict the resale of any of the Company's common stock held by them for four years. The lock period shall cease upon the full redemption or conversion of the notes. During the lock period and subject to compliance with any other contractual obligations, each executive may sell up to 10% or 50,000 of their common stock (whichever is greater).

Other Transactions with our President and Chief Executive Officer and his Affiliates

From November 2007 until April 2009 we provided web development, design and IT support services to Weight Management (aka Scottish Slimmers), a UK company in which Mr. Reid, our then President and Chief Executive Officer, was an Affiliate and also a director.

In the year ended 31 October 2008, we recognised $204,685 as income for these services.

Further services totalling $48,676 were provided to Weight Management between November 2008 and April 2009.

In July 2009 this entity went into bankruptcy and its assets were acquired by a new management. This debtor is therefore considered doubtful and, consequently, we recognised within our doubtful accounts for 2009, $226,839 for these services.

Prior to Mr. Reid stepping down as President and Chief Executive Officer we maintained key man insurance for him. Since stepping down we have paid premiums of £660.18 and we have now re-charged these to Mr. Reid who is now assuming the obligations under this insurance policy.

All of the foregoing transactions were approved by our Board of Directors. Mr. Reid abstained from deliberations and voting on these transactions.

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-QSB during the last two fiscal years 2009 and 2008 were $240,086 and $261,114, 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 2009 and 2008 were $3,100 and nil, 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 2009 and 2008 were $3,100 and nil, 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, 2009, 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 Amendment to Certificate of Incorporation
3.2	By-Laws *
4.1	Form of Warrant *
10.3	Employment Agreement dated July 1, 2005 between the Company and Blair Cunningham *
10.5	Employment Agreement dated April 6, 2007, between Miller and Hilton d/b/a Colmek Systems Engineering and Scott Debo *
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	Collaboration Agreement dated July 1, 2006 between Oxford Technical Solutions Ltd. and Coda Octopus
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	2008 Incentive Stock Option Plan***
10.26	2008 Stock Purchase Plan****
10.27	Cash Control Framework Agreement dated March 16, 2009 by and between the Company, The Royal Bank of Scotland and Greenhouse Investment Limited
23.1	Consent by RBSM LLP
31	Chief Executive Officer and Interim Chief Financial Officer and Certification
32	Certification Pursuant to 18 U.S.C. Section 1350

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*	Incorporated by reference to the Company’s Registration Statement on Form SB-2 (SEC File No.143144)
**	Incorporated by reference to the Company’s Anuual 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
****	Incorporated by reference to the Company’s Registration Statement on Form S-8 (SEC File No. 153254)

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: January 29, 2010

CODA OCTOPUS GROUP, INC.

/s/ Geoff Turner
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.

Signature	Title	Date
/s/ *Geoff Turner*	Chief Executive Officer, Interim Chief Financial Officer and Director (Principal Executive and Financial Officer)	January 29, 2010
/s/ *Frank Moore*	Director	January 29, 2010

CODA OCTOPUS GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

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, 2009 and 2008, 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, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States of America). 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provide a reasonable basis for our opinion.

As discussed in Note 12 to the financial statements, the Company has failed to comply with certain covenants in connection with the secured convertible debt. The Company and the noteholder entered into an agreement, whereby the noteholder agreed not to undertake any adverse actions against the Company, subject to the Company complying with the terms of the agreement and the noteholder has waived its right to demand repayment as a result of the Company's failure to observe certain specified loan covenants.

In our opinion, the 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, 2009 and 2008, and the results of its operations and its cash flows for each of the two years in the period ended October 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/S/RBSM LLP
RBSM LLP

New York, New York
January 29, 2010

CODA OCTOPUS GROUP, INC.
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2009 and 2008

ASSETS	October 31, 2009	October 31, 2008
Current assets:		
Cash and cash equivalents	$ 275,885	$ 3,896,149
Restricted cash, Note 2	994,081	1,017,007
Short-Term Investments, Note 4	51,000	153,000
Accounts receivable, net of allowance for doubtful accounts	2,033,879	2,589,174
Inventory	2,798,425	2,317,322
Due from related parties, Note 13	-	54,166
Unbilled receivables, Note 3	690,344	518,326
Other current assets, Note 5	285,691	407,080
Prepaid expenses	247,134	385,831
Total current assets	7,376,439	11,338,055
Property and equipment, net, Note 6	267,964	355,909
Deferred financing costs, net of accumulated amortization of $242,128 in 2009 and $181,596 in 2008, Note 12	1,271,170	1,513,297
Goodwill and other intangible assets, net, Note 7	4,221,807	3,832,023
Total assets	$ 13,137,380	$ 17,039,284
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable, trade	$ 2,390,039	$ 1,159,849
Accrued expenses and other current liabilities	4,626,164	2,347,522
Deferred revenues, Note 3	398,482	268,650
Deferred payment related to acquisitions, Note 14	404,274	-
Accrued dividends on Series A & B Preferred Stock	-	53,874
Due to related parties, Note 13	-	41,904
Loans and notes payable, short term, Note 12		12,358,597
Total current liabilities	7,818,959	16,230,396
Loans and notes payable, long term, Note 12	13,233,523	162,700
Total liabilities	21,052,482	16,393,096
Stockholders' (deficit) equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized, 6,287 and 6,407 shares Series A issued and outstanding, as of October 31, 2009 and 2008 respectively	6	6
Nil and Nil shares Series B issued and outstanding as of October 31, 2009 and 2008 respectively	-	-
Common stock, $.001 par value; 100,000,000 shares authorized, 49,000,244 and 48,853,664 shares issued and outstanding as of October 31, 2009 and 2008 respectively	49,000	48,854
Common Stock subscribed	96,350	131,790
Additional paid-in capital	51,766,495	51,433,049
Accumulated other comprehensive loss	(696,617)	(1,317,696)
Accumulated deficit	(59,130,336)	(49,649,815)
Total stockholders' (deficit) equity	(7,915,102)	646,188
Total liabilities and stockholders' (deficit) equity	$ 13,137,380	$ 17,039,284

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, 2009 AND 2008

	2009	2008
Net revenue	$ 13,224,435	$ 16,968,922
Cost of revenue	6,315,961	6,941,287
Gross profit	6,908,474	10,027,635
Research and development	2,652,713	3,525,023
Selling, general and administrative expenses	11,238,961	13,204,254
Total operating expenses	13,891,674	16,729,277
Operating loss	(6,983,200)	(6,701,642)
Other income	201,748	323,866
Interest expense	(1,846,883)	(1,538,724)
Impairment of investment in marketable securities	(782,595)	-
Total other expense	(2,427,730)	(1,214,858)
Loss before income taxes	(9,410,930)	(7,916,500)
Provision for income taxes	22,208	4,017
Net loss	(9,433,139)	(7,920,517)
Preferred Stock Dividends:		
Series A	(47,382)	(129,568)
Series B	-	-
Beneficial Conversion Feature	-	-
Net Loss Applicable to Common Shares	$ (9,480,520)	$ (8,050,085)
Loss per share, basic and diluted	(0.19)	(0.17)
Weighted average shares outstanding	48,707,615	48,486,291
Comprehensive loss:		
Net loss	$ (9,433,138)	$ (7,920,517)
Foreign currency translation adjustment	(143,921)	(297,599)
Unrealized gain (loss) on investment	(17,000)	(782,000)
Comprehensive loss	$ (9,594,059)	$ (9,000,116)

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, 2009 AND 2008

	Preferred Stock Series A Shares	Preferred Stock Series A Amount	Preferred Stock Series B Shares	Preferred Stock Series B Amount	Common Stock Shares	Common Stock Amount	Stock Subscribed	Additional Paid-in Capital	Accumulated Other Comprehensive loss	Accumulated Deficit	Total
Balance, October 31, 2007	6,407	$ 6	-	$ -	48,245,768	$ 48,246	$ 80,000	$ 49,785,244	$ (238,097)	$ (41,599,730)	$ 8,075,669
Stock issued for compensation					448,737	449		258,827			259,276
Stock issued for financing					4200	4		4,196			4,200
Stock subscribed											
Preferred stock	(120)	(0)			116,640	117	(80,000)	79,883			(0)
Common stock							131,790				131,790
Fair value of options and warrants issued as compensation								872,170			872,170
Fair value of options and warrants issued for financing								391,230			391,230
Preferred stock dividends Series A					38,319	38		41,498		(129,568)	(88,032)
Foreign currency translation adjustment									(297,599)		(297,599)
Unrealized (loss) from marketable securities									(782,000)		(782,000)
Net loss										(7,920,517)	(7,920,517)
Balance, October 31, 2008	6,287	$ 6	-	$ -	48,853,664	$ 48,854	$ 131,790	$ 51,433,049	$ (1,317,696)	$ (49,649,815)	$ 646,188
Shares 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) on marketable securities									(17,000)		(17,000)
Net loss										(9,433,139)	(9,433,139)
Balance, October 31, 2009	6,287	$ 6	-	$ -	49,000,244	$ 49,000	$ 96,350	$ 51,766,495	$ (696,617)	$ (59,130,336)	$ (7,915,102)

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, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,433,137)	$ (7,920,517)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	689,744	547,369
Stock based compensation	290,722	1,067,221
Financing costs	1,534,295	1,057,843
Impairment of investment in marketable securities	782,000	-
Bad debt expense	238,458	74,897
Interest earned on restricted cash	-	(17,017)
Loss on sale of assets	11,636	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	593,621	56,080
Inventory	(445,850)	609,195
Prepaid expenses	138,696	90,452
Other receivables	(161,462)	37,581
Increase (decrease) in:		
Accounts payable and accrued expenses	4,055,979	(800,885)
Due to related parties	40,228	(63,781)
Net cash used in operating activities	(1,665,070)	(5,261,562)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(47,758)	(131,502)
Purchases of intangible assets	(18,524)	(11,466)
Acquisition Payments	(181,317)	(763,936)
Change in restricted cash	22,926	(1,000,000)
Cash acquired in acquisitions	877	-
Net cash used in investing activities	(223,796)	(1,906,904)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repyament of) Proceeds from loans	(1,530,086)	10,605,377
Preferred stock dividend	(101,256)	(127,541)
Net cash (used in) provided by financing activities	(1,631,342)	10,477,836
Effect of exchange rate changes on cash	(100,056)	(329,477)
Net (decrease) increase in cash	(3,620,264)	2,979,893
Cash and cash equivalents, beginning of period	3,896,149	916,257
Cash and cash equivalents, end of period	$ 275,885	$ 3,896,149
Cash paid for:		
Interest	$ 172,842	$ 480,881
Income taxes	-	-

Supplemental Disclosures:

During the twelve months ended October 31, 2009,146,580 shares of common stock were issued, 43,694 of which were subscribed for in the year ended October 31, 2008, and the other 102,886 shares were issued as $18,520 in compensation.

During the twelve months ended October 31, 2008, 452,937 shares of common stock were issued as payment of $263,476 of compensation that was earned.

Acquisition of Dragon:		
Current assets acquired	$ 147,039	$ -
Cash acquired	877	-
Equipment acquired	51,336	-
Goodwill and other intangible assets	342,013	-

Liabilities assumed	(201,166)	-
Deferred payments	(250,782)	-
Cash Paid for Acquisition	$ 89,317	$ -
Acquisition of Tactical:		
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.

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. We are based in New York, with research and development, sales and manufacturing facilities located in the United Kingdom and Norway, and additional sales locations in Florida, Utah and Washington, D.C.

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.

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 collectibility 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.

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, fixed assets and long-term investments are recorded at historical exchange rates. Resulting translation adjustments are recorded as a separate component in stockholders' equity as part of accumulated other comprehensive income (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 carryforwards. 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.

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

We periodically review our trade receivables in determining our allowance for doubtful accounts. Allowance for doubtful accounts was $255,789 and $74,897 for the years ended October 31, 2009 and 2008 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 11 for further discussion regarding fair value.

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 capital 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, 2009 and 2008:

	2009	2008
Raw materials	$ 1,384,043	$ 1,917,566
Work in process	48,389	113,942
Finished goods	1,365,993	285,814
Total inventory	$ 2,798,425	$ 2,317,322

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.

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, 2009 and 2008.

Research and Development

Research and development costs consist of expenditures for the present and future patents and technology, which are not capitalizable. 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, 2009, we recorded tax credits totalling $358,346. We recorded no tax credits during the year ended October 31, 2008.

Advertising

We charge the costs of advertising to expense as incurred. For the years ended October 31, 2009 and 2008, advertising costs were $522,576 and $1,237,175, respectively.

Other Operating Expenses

We incurred costs of nil and nil as non-recurring fees and expenses in connection with our financings and acquisitions for October 31, 2009 and 2008, 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, 2009 and 2008 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.

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 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 12). 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 $242,128 and $181,596 in 2009 and 2008, 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 $0.19 and $0.17 for the years ended October 31, 2009 and 2008, respectively. For the years ended October 31, 2009 and 2008, 50,999,756 and 50,583,299 potential shares, respectively, were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

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.

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 noncontrolling 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 FASB ASC Topic 810, "Noncontrolling 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 recharacterized as noncontrolling 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 Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities" ASC 730-20, which requires that nonrefundable 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.

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 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 nonforfeitable 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 financial statements have been prepared assuming it will continue as a going concern. For the fiscal year ended October 31, 2009, the Company has an accumulated deficit of $59,130,336, negative working capital of $442,520, a capital deficit of $7,915,102 and generated a deficit in cash flow from operations of $1,665,070 in 2009 Period against $5,261,562 in the 2008 Period. The Company has been dependant 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. Management believes that based upon its current cost reduction program to reduce expenses by $3.35 million annually; based upon our reorganization of our business, customer prospects have been enhanced and is evident in receipt of approximately $3.9 million dollars of additional contracts and purchase orders during the first quarter of fiscal year end 2010; based upon the Company's cash flow projections for it business operations through January 2011; collectability of its receivables in the ordinary course of business; based on the Noteholder's 12 month extension of the cash control framework agreement as discussed in Note 12 and the Noteholder's agreement to waive its right to demand repayment of the loan until March 16, 2011, the Company will be able to continue its operations through October 31, 2010. The Company's ability to continue as a going concern is ultimately dependent upon achieving profitable operations and generating sufficient cash flows from operations to meet future obligations.

NOTE 2 – RESTRICTED CASH

Under terms of the Company's secured convertible debenture dated February 26, 2008, we maintained a $1,000,000 interest-bearing deposit in a restricted bank account until such time as advances under an accounts receivable factoring agreement were repaid in full and the agreement and related liens were terminated. As of October 31, 2008, the Company had $1,017,007 in the restricted cash account, which was released to the Company in December 2008 after the factoring agreement was terminated and settled in full in October 2008 and the debenture holders perfected their security in December 2008.

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. We have also received a waiver letter from the Noteholder dated January 18, 2010, under which it has waived its right to demand repayment of the loan as a result of the failure to observe certain specified loan covenants. The waiver will expire on the first anniversary of the waiver letter. We believe that the terms of this agreement may provide us with sufficient liquidity to operate for fiscal 2009.

At October 31, 2009 we have received net advances from this facility of $1,155,919.

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 $771,698 and $518,326 as of October 31, 2009 and 2008, 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 $111,463 and $57,513 as of October 31, 2009 and 2008, 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 $287,018 and $211,137 as of October 31, 2009 and 2008, respectively.

NOTE 4 - INVESTMENTS

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 nonperformance. 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 the accompanying financial statements consisted of the following items as of October 31, 2009:

	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	$ 994,081	$ 994,081	$ -	$ -
Short term Investment	$ 51,000	$ 51,000	$ -	$ -
Total	$ 1,045,081	$ 1,045,081	$ -	-
Liabilities:				
Loans and Notes Payable	$ 13,233,523	$ -	$ 13,233,523	$ -
Totals	$ 13,233,523	$ -	$ 13,233,523	$ -

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, 2009 was grouped as Level 1 valuation as the market price was readily available, compared to a fair value of $153,000 at October 31, 2008.

During the year ended October 31, 2007, the Company received marketable securities in settlement of $533,147 loan and $316,853 of accounts receivable. As of October 31, 2007, the Company had an investment of $935,000 that was considered available-for-sale for financial reporting purposes which included an unrealized gain of $85,000 included in the determination of comprehensive loss. As of October 31, 2009, this investment had a value of $51,000, with an realized loss of $782,000, and an unrealised loss of $17,000 included in the determination of comprehensive loss.

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

NOTE 5 - OTHER CURRENT ASSETS

Other current assets on the balance sheet total $204,337 and $407,080 at October 31, 2009 and 2008 respectively. These totals comprise the following:

	2009	2008
Deposits	$ 96,277	$ 110,548
Value added tax (VAT) receivable	113,636	262,090
Other receivables	75,777	34,442
Total	$ 285,690	$ 407,080

NOTE 6 - FIXED ASSETS

Property and equipment at October 31, 2009 and 2008 is summarized as follows:

	2009	2008
Machinery and equipment	$ 1,001,385	$ 1,076,950
Accumulated depreciation	(733,420)	(721,041)
Net property and equipment assets	$ 267,964	$ 355,909

Depreciation expense recorded in the statements of operations for the years ended October 31, 2009 and 2008 is $238,632 and $176,147, respectively.

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, 2009 and 2008 is:

	2009	2008
Customer relationships (weighted average life of 10 years)	$ 784,243	$ 694,503
Non-compete agreements (weighted average life of 3 years)	278,651	198,911
Patents (weighted average life of 10 years)	67,837	63,695
Licenses (weighted average life of 2 years)	100,000	100,000
Total amortized identifiable intangible assets - gross carrying value	1,230,731	1,057,109
Less accumulated amortization	(533,462)	(324,661)
Net	**697,269**	**732,448**
Residual value	**$ 697,269**	**$ 732,448**

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 $135,000 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 amortization expense as of October 31, 2009 is as follows:

2010	$ 153,028
2011	131,537
2012	76,696
2013 and thereafter	336,008
Total	**$ 697,269**

Amortization of patents, customer relationships, non-compete agreements and licenses included as a charge to income amounted to $231,321 and $189,621 for the years ended October 31, 2009 and 2008, 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 $3,524,538 as of October 31, 2009 and $3,099,575 as of October 31, 2008. The changes in the carrying amount of goodwill for the period ended October 31, 2009 and year ended October 31, 2008 are recorded below

	2009	2008
Beginning goodwill balance at November 1:		
CodaOctopus Colmek, Inc.	$ 2,038,699	$ 2,038,669
CodaOctopus Martech Ltd	998,591	998,591
CodaOctopus Products Ltd	62,315	62,315
Goodwill recorded upon acquisition:		
CodaOctopus Tactical Intelligence, Inc.	142,430	-
Dragon Design Ltd	282,533	-
Balance at October 31, 2009 and 2008	**$ 3,524,538**	**$ 3,099,575**

Considerable management judgment is necessary to estimate fair value. We enlisted the assistance of an independant 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 FYE October 31, 2008 by an experienced consultant.

There has been no change in the regulatory or legal environment the could have an negative impact on the Martech or Colmek' operations. Further, in addition during Q1 2010 the Company again engaged the services of an independent consultant to verify the conclusions that the Company had reached in evaluating its goodwill according to the pronouncements in ASC 350 " Intangibles – goodwill and other" for FYE October 31, 2009 at the end of the financial year 2009. The independent consultant again reviewed the same series of measures and tests that had been performed in prior years and verified these values as reasonable

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

NOTE 8 - CAPITAL STOCK

The Company is authorized to issue 150,000,000 shares of common stock with a par value of $.001 per share. As of October 31, 2009 and 2008, the Company has issued and outstanding 49,000,244 shares and 48,853,664 shares of common stock respectively. The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of $.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, 2009 and October 31, 2008 respectively, and nil Series B preferred shares outstanding at the same dates.

Series A Preferred Stock

We designated 50,000 shares of our preferred stock, par value $.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, ie. $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 GPB 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, 2009, convertible into 1,013,670 shares of common stock.

Series B Preferred Stock

We designated 50,000 shares of our preferred stock, par value $.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, 2009 and October 31, 2008 respectively, we have no shares of Series B Preferred Stock outstanding.

Common Stock

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.

During the year ended October 31, 2008 we issued 452,937 shares of common stock, valued at $263,476, to employees, directors and consultants for services. We also issued 38,319 shares as dividends on Series A Preferred Stock, which had accrued over the period August 2006 to April 2008, valued at $41,537. A further 60,000 shares of common stock were issued to an investor, which were subscribed for during the year to October 31, 2007, plus 4,200 shares for financing, and 56,640 shares to an investor on conversion of 320 shares of Series A Preferred stock.

Other Equity Transactions

During the year ended October 31, 2009, we issued 50,000 common share purchase options in relation to the Tactical acquisition. However, options issued in earlier periods vested, resulting in a charge of $295,853 in this period. There were also 210,000 options cancelled connected with staff departures, of which 95,000 were exercisable.

During the year ended October 31, 2008, we issued in the aggregate 1,870,000 common share purchase options to employees and consultants, with exercise prices of $1.30 to $1.50. The initial fair value of the options was $872,170 using the Black Scholes method at the date of grant of the options based on the following assumptions: (1) risk free interest rate of 3.43%-5.25%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 222% - 246%; and (4) an expected life of the options of 2 years. The fair value of the options has been expensed in this period. In accordance with EITF 96-18, the fair value of consultant vesting options will be recomputed at each reporting period and any increase will be charged to expense. Due to staff departures, 50,000 options were cancelled, all of which had exercise prices of $1.70. During the year ended October 31, 2008, $257,547 was charged to expense.

NOTE 9 - WARRANTS AND STOCK OPTIONS

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

Warrants	Year ended October 31, 2009 Number	Year ended October 31, 2009 Weighted Average Exercise Price	Year ended October 31, 2008 Number	Year ended October 31, 2008 Weighted Average Exercise Price
Outstanding at beginning of the period	32,583,418	$ 1.42	31,983,418	$ 1.42
Granted during the period	-	-	600,000	1.50
Terminated during the period	-	-	-	-
Outstanding at the end of the period	32,583,418	$ 1.42	32,583,418	$ 1.42
Exercisable at the end of the period	32,583,418	$ 1.42	32,583,418	$ 1.42

The number and weighted average exercise prices of warrants outstanding as of October 31, 2009 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
0.50	750,000	1.50	750,000
0.58	400,000	1.41	400,000
1.00	2,750,000	2.35	2,750,000
1.30	14,341,709	2.17	14,341,709
1.50	-	-	-
1.70	14,341,709	2.17	14,341,709
1.80	-	-	-
Totals	32,583,418	2.22	32,583,418

Stock Options	Year ended October 31, 2009 Number	Year ended October 31, 2009 Weighted Average Exercise Price	Year ended October 31, 2008 Number	Year ended October 31, 2008 Weighted Average Exercise Price
Outstanding at beginning of the period	5,755,900	$ 1.18	4,535,900	$ 1.16
Granted during the period	50,000	1.30	1,270,000	1.30
Terminated during the period	(210,000)	1.32	(50,000)	1.70
Outstanding at the end of the period	5,595,900	$ 1.18	5,755,900	$ 1.18
Exercisable at the end of the period	5,214,149	$ 1.17	4,578,000	$ 1.14

The number and weighted average exercise prices of stock purchase options outstanding as of October 31, 2009 are as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (Yrs)	Total Exercisable
0.50	-	-	-
0.58	-	-	-
1.00	3,045,900	0.87	3,045,900
1.30	1,755,000	3.32	1,356,750
1.50	425,000	2.20	425,000
1.70	310,000	2.67	310,000
1.80	60,000	2.90	60,000
Totals	5,595,900	1.85	5,197,649

NOTE 10 - 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 approximate $45,400,000 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 approximately $15,436,000. 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 approximate $5,505,045, with no expiration. The deferred tax asset related to the carry-forward is approximately $2,300,000. 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 and 2008 represents income taxes on our Norwegian subsidiary.

Components of deferred tax assets as of October 31, 2009 and 2008 are as follows:

Non-Current	**2009**	**2008**
Net operating losses carried forward	$ **17,736,000**	$ **16,485,000**
Valuation allowance	(17,736,000)	(16,485,000)
Net deferred tax asset	$ -	$ -

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, 2009 and 2008, the Company has not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

By statute, tax years 2007 through 2009 remain open to examination by the major taxing jurisdictions to which the Company is subject.

NOTE 11 - CONTINGENCIES AND COMMITMENTS

Litigation

The Company is currently engaged in two lawsuits:

The first one involves the former Chief Executive Officer of our subsidiary, Coda Octopus Colmek, Inc. (Scott DeBo v Miller & Hilton, Inc. d/b/a Colmek Systems Engineering and Coda Octopus Group, Inc. File No. 080923661). Mr DeBo claims breach of his employment contract, tortuous interference with his contract, termination in violation of public policy and failure to pay wages when due. He filed a complaint and an amended complaint on November 10, 2008 and December 10, 2008, respectively. We answered the amended complaint denying Mr. DeBo's allegations, raising affirmative defenses on December 22, 2008 and intend to defend ourselves vigorously. The Parties have now completed the discovery process and we expect the hearing to be scheduled for the second quarter of this financial year

The second one involves Federal Engineering & Marketing Associates Inc (FEMA) a Colorado corporation. FEMA is a former sales representative of Coda Octopus Colmek, FEMA claims breach of contract and seeks various relief in the District Court, Routt County, Colorado (Case Number 2009 CV278). We have answered the complaint which included a counter-claim. We intend to defend ourselves vigorously in these proceedings.

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.

Factoring Agreement

Until October 31, 2008, we factored certain of our receivables pursuant to a number of factoring agreements with Faunus Group International (“FGI”). Advances received pursuant to the agreement are secured by our accounts receivable and other assets of the Company.

An initial factoring agreement was entered into on August 17, 2005 between FGI and Coda Octopus Group, Inc., for a maximum borrowing in the US of up to $1 million. Subsequent agreements were added in November 2006 covering our UK businesses, Martech Systems Ltd and Coda Octopus Products Ltd.

Over the course of the year ended October 31, 2008, we factored invoices totaling $7,545,200 in receivables and we received $5,828,550 in proceeds from FGI. This compares with 2007, where we factored invoices totaling $5,088,665 in receivables and we received $3,961,695 in proceeds from FGI.

Under the arrangement, FGI typically advanced to the Company 80% of the total amount of accounts receivable factored. FGI retained 20% of the outstanding factored accounts receivable as a reserve, which it holds until the customer pays the factored invoice to FGI. The cost of funds for the accounts receivable portion of the borrowings with FGI was 1.85% for the initial 30 day credit period, up to a maximum of 45 days; thereafter, an additional fee of 0.5% was charged for each 10 day period.

On February 20, 2008, FGI, RBS and us entered into an intercreditor agreement regulating the priority of each creditor’s debts.

As of October 31, 2008 all FGI agreements were terminated and advances repaid in full.

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 $1,372,384, with the minimum future rentals due under these leases as of October 31, 2009 as follows:

2009	$ 11,448
2010	401,136
2011	378,385
2012	235,799
2013 and thereafter	345,618
Total	$ 1,372,384

Concentrations

We had no concentrations of purchases of over 5% during either of the years ended 2009 and 2008. We had no sales concentrations of over 5% during the year ended 2009 We had a sales concentration of over 5% in the year ended October 31, 2008 due to a sale to a customer for $1,557,130.

Termination Payments

On or around September 23, 2009 pursuant to the termination of the employment agreements of the CEO and CFO and in accordance with the termination provisions of the said agreements we committed to pay over eighteen (18) months approximately $875,000 as termination payments to these executives.

NOTE 12 - NOTES AND LOANS PAYABLE

A summary of notes payable at October 31, 2009 and 2008 is as follows:

	2009	2008
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 (see Note 16)	$ 13,067,929	$ 12,348,493
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.	165,594	162,700
The Company through its US subsidiary Coda Octopus Colmek, Inc., has an unsecured loan note payable to a director and former officer of the Company, which is being repaid in the short term.	-	10,104
Total	$ 13,233,523	$ 12,521,297
Less: current portion	-	12,358,597
Total long-term portion	$ 13,233,523	$ 162,700

In connection with the secured convertible debenture noted above and the Cash Control Framework Agreement (see below), we carry $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 $242,128 in amortization expense at October 31, 2009 and $181,596 in amortization expense at October 31, 2008. We amortize deferred financing costs over the life of the financing facility using the straight line method.

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. We believe that the terms of this agreement may provide us with sufficient liquidity to operate for fiscal 2010.

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.

Subsequent to the year end the agreement was extended for a further period of 12 months and now expires on March 16, 2011.

NOTE 13 - RELATED PARTY TRANSACTIONS

We have been indebted to various related parties for advances for payments of operating expenses and dividends. These related parties include our then biggest shareholder and other entities controlled by this shareholder. Advances are non interest bearing and are due on demand. At the end of the period ending October 31, 2009, nil was due to related parties, compared with $41,904 for the year ending October 31, 2008.

We are also owed by related parties a sum of nil at October 31, 2009 compared to $54,166 at October 31, 2008.

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 $135,000.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 $135,000 represented the excess of the purchase price over the fair value of the net tangible and intangible assets acquired.

Acquisition of Dragon Design Ltd

In December 2008, the Company acquired all the issued and outstanding sharesof Dragon Design Ltd ("Dragon"), an electronics manufacturing and design business based in Weymouth, UK, and situated next to its 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. This payments has not been made as of the date of this filing. 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

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.

The following unaudited pro forma results of operations for the period ended October 31, 2009 assume that the acquisition of Dragon and Tactical occurred on November 1, 2008. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they are necessarily indicative of future results of operations.

	2009
Revenue	$ 13,358,086
Net loss	(9,475,990)
Loss per common share	$ (0.19)

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, 2009			October 31, 2008		
	Contracting	Products	Corporate	Contracting	Products	Corporate
Current assets, excl. interco.	$ 3,033,658	$ 2,706,461	$ 1,636,319	$ 3,370,812	$ 4,181,440	$ 3,785,801
Property and equipment, net	98,277	99,131	70,556	159,752	141,190	51,483
Deferred financing costs	-	-	1,271,170	-	-	1,513,297
Goodwill	3,462,224	62,315	-	3,037,260	62,315	-
Other intangible assets	640,928	-	56,341	689,759	-	42,689
Total assets	7,235,301	2,867,907	3,034,386	7,261,070	4,384,945	5,393,270
Current liabilities, excl. interco.	3,062,818	1,253,173	3,502,967	1,470,179	900,709	13,859,509
Long term liabilities	-	165,594	13,067,929	-	162,700	-
Total liabilities	3,062,818	1,418,767	16,570,896	1,470,179	1,063,409	13,859,509
Capital expenditure	7,825	32,747	7,186	33,381	58,064	18,931
	Year ended October 31, 2009			Year ended October 31, 2008		
Revenues	8,355,041	4,869,393	-	7,699,801	9,269,121	-
Gross profit (loss)	3,033,337	3,875,137	-	4,737,327	5,290,337	-
Research and development	2,240,189	412,524	-	2,845,028	678,995	1000
Selling, general & administrative	2,493,261	1,679,450	6,085,784	3,197,847	2,332,500	6,059,320
Stock based compensation	73,305	-	217,417	121,898	6,037	939,286
Depreciation & amortization	311,246	98,677	279,821	272,966	76,216	198,185
Total operating expenses	5,118,001	2,190,651	6,583,022	6,437,738	3,093,748	7,197,791
Operating income (loss)	(2,084,664)	1,676,804	(6,583,022)	(1,700,411)	2,266,490	(7,267,722)
Other income	343,834	(153,494)	11,408	15,519	210,813	97,534
Interest expense	(184,396)	(27,722)	(1,634,765)	(140,640)	(307,700)	(1,090,384)
Impairment of investment	-	-	(782,595)	-	-	-
Loss before income taxes	(1,925,226)	1,495,588	(8,981,292)	(1,825,532)	2,169,603	(8,260,572)

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, 2009 and 2008 respectively:

	2009	2008
Revenues:		
United States	$ 5,939,535	$ 7,362,966
Europe	7,284,899	9,605,956
Corporate and other	-	-
Total Revenues	$ 13,224,435	$ 16,968,922
Assets:		
United States	$ 5,882,644	$ 4,357,042
Europe	4,220,350	5,478,233
Corporate and other	3,034,386	7,204,009
Total Assets	$ 13,137,380	$ 17,039,284

NOTE 16 - SUBSEQUENT EVENTS

The Company evaluated subsequent events through January 29, 2010, which is the date the financials were filed.

The Cash Control Framework Agreement with the Noteholder was extended for a further period of 12 months and now expires on March 16, 2011. 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 waiver will expire on the first anniversary of the waiver letter, January 18, 2011.

Since October 31, 2009 we have issued 50,000 shares of common to consultants for services rendered. The services were valued at $15,000 and the shares were issued at price of $0.30 in accordance with the resolution of our Board.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-153254 on Form S-8 of our report dated January 29, 2010, relating to the financial statements of Coda Octopus Group , Inc., appearing in this Annual Report on Form 10-K of Coda Octopus Group, Inc. for the year ended October 31, 2009.

/s/ RBSM LLP

New York, New York
January 29, 2010

Exhibit 31.1

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

I,Geoff Turner, certify that:

1. I have reviewed this annual report on Form 10-K/ of Coda Octopus Group, Inc.:

2. Based on my 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 my 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 I 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 I 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:January 29, 2010

/s/ Geoff Turner

Exhibit 32

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, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Geoff Turner Chief Executive Officer and Interim 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/ Geoff Turner
Chief Executive Officer and
Interim Chief Financial Officer

Date: January 29, 2010