SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________

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, 25 th Street, 6 th Floor, New York	10001
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	(212) 924-3442

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one): ☐

Large accelerated filer ☐ Accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares outstanding of issuer's common stock, $0.001 par value as of September 14, 2008: 48,853,664.

EXPLANATORY NOTE

This amendment to the quarterly report of Coda Octopus Group, Inc. for the quarter ended July 31, 2008 is being filed to correct certain typographical errors in the sections included herein and to provide the GAAP reconcilliation with EBITDA figures previously reported that was inadvertently omitted from the original filing.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

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, United States and Norway as well as two engineering companies located in the United States and the United Kingdom.

The consolidated financial statements include the accounts of Coda Octopus and our domestic and foreign subsidiaries that are more than 50% owned and controlled except that the financial statements, including Colmek, which was acquired on April 6, 2007. 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.

Background

We are engaged in 3-D subsea technology and are the developer and patent holder of real-time 3-D sonar products which we expect to play a critical role in the next generation of underwater port security. 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 around oil and gas, construction and oceanographic research and exploration, where we market to survey companies, research institutions, salvage companies. This was our original focus, from original founding in 1994, with current products spanning geophysical data collection and analysis, through to printers to output geophysical data collected by sonar. We believe that our marine geophysical survey markets are experiencing rapid growth due to: 1) successful new product introductions in recent periods; 2) market-proximity benefits derived from 2004 relocation to the United States; 3) initial market penetration into new sub-sectors of the marine geophysical survey markets; 4) the high price of oil and gas in the past few years, resulting in unprecedented exploration and production activity.
- underwater defense/ security, where we market to 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, a company which had developed a prototype system, the **Echoscope™**, a unique, patented instrument which permits accurate three-dimensional visualization, measurement, data recording and mapping of underwater objects. We have recently completed developing and commenced marketing this first real time, high resolution, three-dimensional underwater sonar imaging device which we believe has particularly important applications in the fields of port security, defense and undersea oil and gas development.

In addition, through our two engineering services subsidiaries, Martech Systems (Weymouth) Ltd, based in Weymouth, England, UK, and Colmek Systems Engineering, 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 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 3-D 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 need for 3-D real-time sonar in defense/security applications.
- Expansion into new geographies, such as North America.
- Expansion into new commercial markets, such as construction and dredging, 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, 3-D 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 opportunity in underwater security and defense could grow at a rapid pace over the next several years.

Approximately 52% of our nine month 2008 revenues of $13,232,440 were attributable to pure products business. The rest was attributable to our engineering businesses at Colmek and Martech, and a development contract with TSWG fulfilled through our corporate Research and Development division.

To this established base of business, we now plan to add other sub-sections:

- we are now starting to bid (sometimes in partnership, where areas of focus other than underwater sonar and wireless video surveillance capability are demanded) for complete port security and other solutions. We have bid on a small number of these in the last six months and hope for our first successes shortly. We have not yet been awarded any contracts for the purchase of complete solutions. However, in March of 2008, we received a $1.6 million follow on order from the U.S. Department of Defense to deliver an additional next-generation Underwater Inspection System (UIS)™ for TSWG and other potential users, to enable rapid underwater searches in the nation’s ports and waterways. In addition to the additional hardware (we delivered four original units in December of 2007) TSWG has committed to a $1 million development project to help advance the product. The contract includes additional options which, if fully funded, would require us to deliver further UIS™ systems in fiscal 2009. 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 competitive bidding process. Although this is not a complete port security system, it represents the first step towards achieving this.
- we are currently reviewing the possibility of launching next year, in partnership with others, a services business based on our product set. This business will be port based and will, for example, provide ship hull inspections by way of rental of equipment and provision of a team to operate the equipment for any ship entering that particular port.

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 3, "Summary of Significant Accounting Policies" of our Consolidated Financial Statements.

Revenue Recognition

We record revenue in accordance with the guidance of the SEC's *Staff Accounting Bulletin SAB No. 104* (SAB 104), which supersedes SAB No. 101 in order to encompass EITF No. 00-21 , *Revenue Arrangements with Multiple Deliverables* (EITF 00-21).

Revenue is derived from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications. Revenue is also derived through contracts gained by our Martech, Colmek 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 EITF No. 00-21 and SAB No. 104, and recognize revenue for equipment upon delivery and for installation and other services as performed. EITF No. 00-21 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 Statement of Position (SOP) SOP No. 97-2, “Software Revenue Recognition,” and SOP No. 98-9, “Modifications of SOP No. 97-2, Software Revenue Recognition with Respect to Certain Transactions”. 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

SFAS No. 123, “Accounting for Stock-Based Compensation,” established and encouraged the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of the grant or the date at which the performance of the services is completed and is recognized over the periods in which the related services are rendered. The statement also permitted companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” to account for stock-based compensation to employees. Prior to the adoption of SFAS 123(R) we elected to use the intrinsic value based method for grants to our employees and directors and have disclosed the pro forma effect of using the fair value based method to account for our stock-based compensation to employees.

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R (revised 2004), “Share-Based Payment” (“Statement 123R”) which is a revision of SFAS No. 123.

Statement 123R supersedes APB opinion No. 25 and amends SFAS No. 95, “Statement of Cash Flows”. Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in SFAS No. 123(R). This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, “Employers’ Accounting for Employee Stock Ownership Plans.” On April 14, 2005, the SEC amended the effective date of the provisions of this statement. The effect of this amendment by the SEC is that the Company had to comply with Statement 123R and use the Fair Value based method of accounting no later than the first quarter of 2006. We implemented SFAS No. 123(R) on November 1, 2004 using the modified prospective method. The fair value of each option grant issued after November 1, 2004 will be determined as of grant date, utilizing the Black-Scholes option pricing model. The amortization of each option grant will be over the remainder of the vesting period of each option grant. 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.

Income Taxes

Deferred income taxes are provided using the asset and liability method for financial reporting purposes in accordance with the provisions of Statements of Financial Standards No. 109, "Accounting for 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 SFAS No. 142, Goodwill and Other Intangible Assets”. To apply SFAS 142, 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 trading of our common stock is below book 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 SFAS 142.

Results of Operations

Introduction

The third quarter ending July 31, 2007 contained $1,521,675 of TSWG (US Coast Guard) Revenues which had an unusual impact on that period. Comparisons will be dramatically impacted by that anomaly. In fact, business with the Coast Guard has continued but has not had as significant effect on quarterly revenues as were realized in the third quarter of 2007.

Comparison of Three Months Ended July 31, 2008 (“2008 Period”) to Three Months Ended July 31, 2007 (“2007 Period”)

Revenues . Total revenues for the 2008 period and the 2007 period were $5,008,525 and $5,859,907 respectively. This represented a decrease of $851,382 or 14.5%. The acquisition of Colmek occurred on April 6, 2007 which makes the period to period comparisons consistent for the first time without breaking out the subsidiary. This reflects increased business in our products division specifically with regard to the oil and gas business in Europe, the construction business in the Middle East, the US Coast Guard continuing to purchase products and services, and a UIS™ (Underwater Inspection System) sale to a law enforcement agency in the US. Alongside this was a decrease in TSWG/USCG revenues, reflecting the current status of the contract in each year.

Margins . Gross margins were 60.4% in the 2008 period compared with 60.7% for the 2007 period. This was achieved with the increase in the sale of our signature products, the Echoscope™ and the UIS™, as well as the mix of traditional products which are sold at higher margins and are becoming a dominant part of the revenue stream. The engineering contracting business represented $1,772,894 or 35.4% of sales with the products business attaining a level of $2,450,727 or 48.9% of revenues. The company is targeting an average gross margin in the vicinity of 63% going forward.

Research and Development (R&D) . R&D increased 39% to $880,339 in the 2008 period from $634,679 in 2007. This reflects further development of the Echoscope™ and UIS™ tied to the TSWG (US Coast Guard) contract, the initial stage of which finished in January, with the next stage having begun in March. Additionally, work commenced on the development contract for the company’s new application which deploys the Echoscope ™ for underwater construction. The company continues to invest in new applications of its signature product.

Selling, General and Administrative Expenses (SG&A) . SG&A expenses for the 2008 period decreased to $3,311,267 from $3,594,560 in 2007, or by 7.9%. However, the non-cash charges attributable to stock and option compensation were $433,478 against $805,825 which brings SG&A for the 2008 Period to $2,786,391 against $2,788,735 for the 2007 Period, virtually static year on year.

Key areas of expenditures include wages and salaries where the company spent $1,719,375 while the 2007 period was $1,534,028; legal and professional fees, including accounting, audit and investment banking services, decreased to $241,928 in 2008 from $480,892 in 2007; travel increased to $186,297 from $127,283; rent increased to $164,306 in 2008, from $148,376; and marketing increased to $294,732 from $74,031 in 2007, mainly due to reclassification of consultants.

Operating Income/Loss . Adjusted Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for the period, without non-cash charges for stock and options, were a loss of $298,310 against positive $172,853 for the 2007 Period. The Company produced an operating loss for the period of $1,167,795 (which, when adjusted for non-cash charges, becomes $498,778) against a loss of $670,060 in 2007.

Interest Expense. Interest expense for the period was $481,876, of which $383,571 was associated with the convertible debenture financing by the Royal Bank of Scotland. Interest expense in 2007 was $561,350.

Preferred Dividends . During the 2008 period there was a $31,819 dividend paid on the remaining series A preferred stock versus $31,851 in 2007. All of the series B preferred stock and most of the series A preferred stock was converted to equity in April/May 2007.

Comparison of Nine Months Ended July 31, 2008 ("2008 Period") to the Nine Months Ended July 31, 2007 ("2007 Period")

Introduction

Due to the acquisition of Colmek in April 2007, the financial information presented for Coda Octopus for the period ended July 31, 2007 (the "2007 Period"), includes activity in Colmek from April 6 to the end of the period, combined with revenue, other income and SG&A expenses of the rest of Coda Octopus Group, Inc. for the period ending July 31, 2007. The financial information presented ("2007 Period") includes revenues and expenses for Colmek only for the period after the acquisition which occurred on April 6, 2007. As a result, the increased revenues and expenses in the accompanying consolidated statements of operations for the period in 2008 compared to those in 2007 may not be a meaningful comparison.

Revenues . Total revenues for the 2008 Period and the 2007 Period were $13,232,440 and $10,794,621 respectively, representing an increase of 22.6%. Contributions from Colmek were $1,709,014 in the 2007 period against $2,928,495 for 2008. Subtracting the contribution from this acquisition to the 2008 and 2007 Periods, there was a 13.4% increase in our original businesses. This was due to a strong demand for our traditional products in the geophysical and hydrographic survey markets as well as added traction in selling the UIS™ and Echoscope™.

Gross Margins . Margins were stronger in the 2008 Period at 62.7% compared with 58.2% for the 2007 period reflecting stronger sales in our traditional products business, a UIS™ sale to a US law enforcement agency and several Echoscopes™ sold to various customers including three units sold into the construction market.

Research and Development (R&D) . R&D spending increased to $2,333,840 in the 2008 Period from $1,736,437 in the 2007 Period, an increase of 34.4%, as we continue to focus considerable effort into enhancing the Echoscope™ and releasing other products in our suite of marine geophysical offerings. In particular, work focused on delivering our Underwater Inspection System (UIS™), a turnkey system built around the Echoscope™ platform and further development work for the US Coast Guard on the UIS™ system. Additionally, the company began development work on the project which deploys the Echoscope™ in the underwater construction market.

Selling, General and Administrative Expenses (SG&A) . SG&A expenses for the 2008 Period increased to $9,170,389 (the costs for the period include $1,323,029 in share compensation, amortization and depreciation which are non-cash charges) from $8,883,099 during the 2007 Period , an increase of $287,290 or 3.2%. Some of the increase is attributable to the acquisition of Colmek which was included for the entire period in 2008.

Key areas of expenditure include wages and salaries, where we spent $4,614,613 of our SG&A costs (2007 Period was $3,736,218); legal and professional fees, including accounting, audit and investment banking services, amounted to $877,821(2007 Period was $1,169,935); travel costs increased to $418,687 in 2008 from $389,987 in 2007; rent for our various locations increased to $394,811 in 2008, from $390,526 in 2007; marketing increased to $905,794 in 2008 from $200,459 in 2007, which included reclassification of certain consultants engaged in sales of our signature products who were previously included in legal and professional fees.

Other Operating Expenses . We incurred other operating expenses of $435,000 in the 2007 Period for fees incurred connected with equity fund raising. We incurred no comparable expenses in the 2008 Period.

Operating Loss . The adjusted EBITDA results for the 2008 period were a loss of $1,887,226, not including non-cash charges for stock and options compensation, against a loss of $1,946,429 for the 2007 period. As a result of the foregoing, the Company incurred a loss from operations of $3,206,055 during the 2008 Period compared to a loss from operations of $4,773,016 during the 2007 Period.

Interest Expense . Interest expense for the 2008 Period decreased to $1,051,181 (consisting of accrued bond interest and factoring) from $6,349,946 during the 2007 Period. Of the 2007 amount, $5,544,445 was attributable to the valuation of warrants issued as part of our financing, booked as a non-cash financing charge.

Dividends and Other Stock Charges . During the 2008 Period, dividends of $106,843 were declared against $346,630 in the 2007 Period on preferred stock (most of the preferred stock was converted into common stock during the 2007 Period). The 2007 amount includes $238,950 paid on the series A preferred stock and $107,680 on the series B preferred. In addition, the 2007 Period included $800,000 in non-cash charges for the beneficial conversion feature related to the issuance of series B preferred stock in January 2007. This took the net loss applicable to common shares to $12,196,051 or $0.34 per share for the 2007 Period, based on an average of 35,490,398 shares outstanding, compared to a loss of $4,267,300 or $0.09 per share for the 2008 Period, based on an average of 48,369,873 shares outstandin g.

Non-GAAP Financial Measures

Following is a reconciliations of differences between non-GAAP financial information that may be required in connection with issuing the company's quarterly financial results included herein.

As is common in our industry, we use EBITDA as a measure of performance to demonstrate earnings exclusive of interest and non-cash events. We manage our business based on our cash flows. The Company, in its daily management of its business affairs and analysis of its monthly, quarterly and annual performance, makes its decisions based on cash flows, not on the amortization of assets obtained through historical activities. The Company, in managing its current and future affairs, cannot affect the amortization of the intangible assets to any material degree, and therefore uses EBITDA as its primary management guide. Since an outside investor may base its evaluation of the Company's performance based on the Company's net loss not its cash flows, there is a limitation to the EBITDA measurement. EBITDA is not, and should not be considered, an alternative to net loss, loss from operations, or any other measure for determining operating performance of liquidity, as determined under accounting principles generally accepted in the United States (GAAP). The most directly comparable GAAP reference in the Company's case is the removal of interest, depreciation, amortization, taxes and other non-cash expense. In assessing the overall health of its business during the third quarter of 2008 and 2007, the Company excluded the following:

- *Stock-Based Compensation*: The Company believes that because of the variety of equity awards used by companies, varying methodologies for determining stock-based compensation and the assumptions and estimates involved in those determinations, the exclusion of non-cash stock-based compensation enhances the ability of management and investors to understand the impact of non-cash stock-based compensation on our operating results. Further, the Company believes that excluding stock-based compensation expense allows for a more transparent comparison of its financial results to previous periods.

- *Other Income:* The Company considers this a one time transaction, and it is not an indication of current or future operating performance. Therefore the Company does not consider the inclusion of this transaction helpful in assessing its current financial performance compared to previous periods as well as prospects for the future.

CODA OCTOPUS GROUP, INC.
RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA
FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2008 AND 2007

(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2008	July 31, 2007	July 31, 2008	July 31, 2007
Net (loss), as reported	$ (1,602,117)	$ (1,195,665)	$ (4,160,457)	$ (11,049,422)
Interest expense, net	481,876	561,350	1,051,181	6,349,946
Depreciation and amortization	200,468	65,596	453,623	226,309
EBITDA	(919,773)	(568,719)	(2,655,653)	(4,473,167)
Adjustments:				
Other expense (income)	(47,554)	(35,745)	(96,779)	(73,540)
Stock based compensation	669,017	777,317	865,206	2,600,278
Adjusted EBITDA	$ (298,310)	$ 172,853	$ (1,887,226)	$ (1,946,429)

Liquidity and Capital Resources

As of July 31, 2008 the Company had positive working capital of $10,892,026 and cash totaling $6,050,996.

The net loss of $4,160,457 generated a cash flow deficit from operations of $4,117,784 in the 2008 Period, compared to $8,031,167 in 2007. During the 2008 Period, we also invested around $291,000 in tangible and intangible assets for use within our various businesses, and completed the acquisition of Colmek for an outlay of a final amount of $763,936. During the 2008 Period, we raised $12M through the issuance of a convertible debenture in February 2008 (this was $10,453,421 after the deduction of associated costs), which, combined with the cash flow uses outlined above, resulted in a net cash flow into the company for the period of $5,134,739. The secured convertible debenture attracts interest at a rate of 8.5%, and has a conversion price of $1.05 per share callable after 2 years at $2.50, after 3 years at $2.90, and after 4 years at $3.50. The instrument is redeemable after 7 years at 130%. The company feels that this funding will enable the company to execute its plan over the next 12 months.

Our plan to move from loss to profit is based upon intensifying our focus on port security. We believe that in the post 9/11 era there are significant growth opportunities available in the market segment in which we operate because of increased government expenditures aimed at enhancing security. We also have had a measure of success in the off shore construction area. We believe that we can continue to sell into that market with success.

In the short term, our plan involves, specifically:

- Continue to sell our current range of products into a mixture of commercial, defense and security markets, increasing sales of these products over the course of this financial year - we have seen strong growth over the course of the year so far.

- Start to sell complete turnkey systems based around our leading Echoscope™ 3-D technology, to open markets in law enforcement and inspection - a great deal of our R&D expenditure has been directed towards refining our product and completing sales this year that are currently in our pipeline, with first deliveries occurring in this financial year.

- Continue to deliver to the Coast Guard on the contract we were awarded last July. Work on stage 2 began in the second quarter of this year and continues until at least the end of the financial year.

- Deliver on our first port security solution contract through the provision of our unique 3-D technology and other products and services, enabling us to provide complete solutions.

- Leverage our subsidiaries to take advantage of our lead in underwater sonar technology by cross marketing all group products and services from each company.

- Continue to review and refocus our cost base where necessary to achieve a cost level commensurate with our current level of activity.

Through these measures, we aim to move from cash negative for last year and the first quarter of this year to cash positive. We also aim to move from heavily loss-making for the past 2 years to profitable for the coming year, prior to any non-cash charges made to our income statement. Although we intend to pursue our plans aggressively as set forth in the previous paragraph, there can be no assurance that we will be successful in our attempt to make the company profitable in the near future, or ever.

Inflation and Foreign Currency

The Company maintains its books in local currency: US Dollars for the parent holding Company in the United States of America and the US operations, Pounds Sterling for UK operations and Norwegian Kroner for Norwegian operations.

The Company's operations are primarily inside of the United States through its wholly-owned subsidiaries, though a significant proportion of revenues and costs are incurred outside of the US. 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.

It is the opinion of the Company that inflation has not had a material effect on its operations.

Financing Activities

Since February 2005, we have raised approximately $36,724,289 in cash through the issuance in private offerings at various times of shares of our common stock, and units consisting of shares of preferred stock and warrants to purchase common stock.

In February 2005, we issued a total of 1,000,000 shares of our common stock for a total cash consideration of $800,534.

In October 2005, we issued a total of 15,000 Series A Preferred Stock (Sterling Denominated), since converted into 2,655,000 shares of common stock, for a total cash consideration of £1,500,000 equivalent to approximately $2,655,000, based upon a conversion ratio of $1.77 for each UK Pound at the time of the investment.

On April 30, 2006, we issued to one investor a total of 7,320.88 shares of our Series A Preferred Stock to a group of individual investors for total cash consideration of £684,618.83 UK Pounds equivalent to $1,211,755 based upon a conversion ratio of $1.77 for each UK Pound at the time of the investment.

From June 2006 through January 2007, we issued to one institutional investor units consisting 46,000 shares of our Series B Preferred Stock and four five year warrants to purchase 9.2 million shares of our common stock at a price ranging from $1.30 to $2.00 per share and 650,000 shares of our Common Stock for a total cash consideration of $4,600,000. Of these 46,000 shares of Series B Preferred Stock, 18,181 were redeemed in April 2007 and the remaining shares were converted into 2,781,900 shares of our common stock.

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 820,000 shares of our common stock.

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 3,000 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 number 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.

During April and May 2007, we issued to a group of investors a total of 15,000,000 shares of our common stock plus five-year warrants to purchase the same number of shares of common stock (of which 7,500,000 may be purchased at $1.30 and the balance at $1.70 per share) for a total of $15,000,000.

In February 2008, we issued $12 million of 8.50% secured convertible debentures. This instrument is convertible into common stock at $1.05 per share. It is callable by the company at $2.50 after two years, $2.90 after three years and at $3.50 after four years. It matures at 130% after seven years.

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 6. Exhibits

31 Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)

32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Coda Octopus Group, Inc.
(Registrant)

Date: September 17, 2008	/s/ Jason Reid
	Jason Reid President and Chief Executive Officer
Date: September 17, 2008	/s/ Jody E. Frank
	Jody Frank Chief Financial Officer

Exhibit 31

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Jason Reid, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A 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 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 operation and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer 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)) 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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))that occurred during the registrant's most recent fiscal quarter 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 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: September 17, 2008

/s/ Jason Reid

Jason Reid
President and Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Jody Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A 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 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 operation and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer 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)) 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 (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))that occurred during the registrant's most recent fiscal quarter 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 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: September 17, 2008

/s/ Jody E. Frank

Jody E. Frank
Chief Financial Officer

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 quarterly report of Coda Octopus Group, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jason Reid, President and Chief Executive Officer, and Jody Frank, 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/ Jason Reid	/s/ Jody E. Frank
Jason Reid President and Chief Executive Officer	Jody E. Frank Chief Financial Officer
Date: September 17, 2008	Date: September 17, 2008