UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2018

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 001-38154

CODA OCTOPUS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of Incorporation or organization)	34-200-8348 (I.R.S. Employer Identification Number)
W Sand Lake Road, Suite 500, Orlando, Florida (Address of principal executive offices) Registrant's telephone number, including area code:	32819 (Zip Code) (863) 937 8985

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 [X] 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 [ ] Non-accelerated filer [ ] Smaller reporting company [X]

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

The number of shares outstanding of issuer's common stock, $0.001 par value as of March 19, 2018 is 10,352,348.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Unaudited Consolidated Financial Statements
For the Three Months Ended January 31, 2018 and 2017

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CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
January 31, 2018 and October 31, 2017

ASSETS

	2018 Unaudited	2017
CURRENT ASSETS		
Cash and Cash Equivalents	$ 11,988,981	$ 6,851,539
Accounts Receivables, Net	1,947,973	1,418,114
Inventory	4,165,294	3,652,249
Unbilled Receivables	1,594,063	2,723,172
Other Current Assets	134,734	320,814
Prepaid Expenses	304,401	291,623
Total Current Assets	20,135,446	15,257,511
FIXED ASSETS		
Property and Equipment, net	5,258,716	5,213,281
OTHER ASSETS		
Goodwill and Other Intangibles, net	3,569,499	3,589,281
Total Assets	$ 28,963,661	$ 24,060,073

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

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
January 31, 2018 and October 31, 2017

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018 Unaudited	2017
CURRENT LIABILITIES		
Accounts Payable	$ 668,029	$ 981,994
Accrued Expenses and Other Current Liabilities	412,890	519,208
Loans and Note Payable, current	3,238,256	2,212,951
Deferred Revenues	399,152	402,955
Total Current Liabilities	4,718,327	4,117,108
LONG-TERM LIABILITIES		
Deferred revenue, long term	1,155	49,143
Loans and Note Payable, long term	4,674,581	6,066,402
Total Long Term Liabilities	4,675,736	6,115,545
Total Liabilities	9,394,063	10,232,653
STOCKHOLDERS' EQUITY		
Preferred stock, Series C, $.001 par value; 5,00,000 shares authorized, 1,000 shares issued and outstanding, as of January 31, 2018 and October 31, 2017	1	1
Common stock, $.001 par value; 150,000,000 shares authorized, 10,262,071 and 9,136,121 shares issued and outstanding as of January 31, 2018 and October 31, 2017, respectively	10,262	9,136
Additional paid-in capital	57,792,705	52,839,651
Accumulated other comprehensive loss	(1,082,494)	(2,038,431)
Accumulated deficit	(37,150,876)	(36,982,937)
Total Stockholders' Equity	19,569,598	13,827,420
Total Liabilities and Stockholders' Equity	$ 28,963,661	$ 24,060,073

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

CODA OCTOPUS GROUP, INC.
Unaudited Consolidated Statements of Income and Comprehensive Income
For the Periods Indicated

	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017
Net Revenues	$ 3,050,557	$ 5,358,203
Cost of Revenues	946,107	1,983,046
Gross Profit	2,104,450	3,375,157
OPERATING EXPENSES		
Research & Development	670,539	251,230
Selling, General & Administrative	1,505,757	1,405,888
Total Operating Expenses	2,176,296	1,657,118
(LOSS) INCOME FROM OPERATIONS	(71,846)	1,718,039
OTHER INCOME (EXPENSE)		
Other Income	6,655	49,416
Interest Expense	(102,748)	(195,494)
Total Other Income (Expense)	(96,093)	(146,078)
NET (LOSS) INCOME BEFORE INCOME TAXES	(167,939)	1,571,961
INCOME TAX BENEFIT	-	-
NET (LOSS) INCOME	$ (167,939)	$ 1,571,961
NET (LOSS) INCOME PER SHARE:		
Basic	$ (0.02)	$ 0.17
Diluted	$ (0.02)	$ 0.17
WEIGHTED AVERAGE SHARES:		
Basic	9,172,837	9,101,493
Diluted	9,172,837	9,101,493
NET (LOSS) INCOME	$ (167,939)	$ 1,571,961
Other Comprehensive Income:		
Foreign currency translation adjustment	955,937	421,160
Total Other Comprehensive Income	955,937	421,160
COMPREHENSIVE INCOME	$ 787,998	$ 1,993,121

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

CODA OCTOPUS GROUP, INC.
Unaudited Consolidated Statement of Changes in Stockholders' Equity
For the Three Months Ended January 31, 2018

	Preferred Stock Series C		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Total
Balance, October 31, 2017 (Audited)	1,000	$ 1	9,136,121	$ 9,136	$ 52,839,651	$ (2,038,431)	$ (36,982,937)	$ 13,827,420
Stock Issued to Investors	-	-	1,125,950	1,126	4,953,054	-	-	4,954,180
Foreign currency translation adjustment	-	-	-	-	-	955,937	-	955,937
Net Loss	-	-	-	-	-	-	(167,939)	(167,939)
Balance, January 31, 2018 (Unaudited)	1,000	$ 1	10,262,071	$ 10,262	$ 57,792,705	$ (1,082,494)	$ (37,150,876)	$ 19,569,598

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

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

	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss) Income	$ (167,939)	$ 1,571,961
Adjustments to reconcile net (loss) income to net cash (used in)/provided by operating activities:		
Depreciation and amortization	220,170	176,399
Stock compensation	-	10,500
(Increase) decrease in operating assets:		
Accounts receivable	(529,859)	1,371,984
Inventory	(513,045)	(198,724)
Unbilled receivables	1,129,108	(1,114,606)
Other current assets	294,081	(526,736)
Prepaid expenses	(12,778)	(33,842)
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	(528,284)	(464,175)
Deferred revenues	(51,791)	(43,000)
Net Cash (used in) provided by Operating Activities	(160,337)	749,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(245,822)	(1,680,111)
Deferred tax asset	-	(3,039)
Restricted cash	-	13,695
Net Cash used in Investing Activities	(245,822)	(1,669,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments) Receipts - loans and notes payable	(366,516)	109,697
Issuance of stock for cash	4,954,180	-
Redemption of Series C preferred stock	-	(1,100,000)
Net Cash Provided (Used) in Financing Activities	4,587,664	(990,303)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	955,937	421,160
NET INCREASE (DECREASE) IN CASH	5,137,442	(1,488,837)
CASH AT THE BEGINNING OF THE PERIOD	6,851,539	5,601,767
CASH AT THE END OF THE PERIOD	$ 11,988,981	$ 4,112,930
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 91,248	$ 203,994

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared based upon U.S. Securities and Exchange Commission rules that permit reduced disclosure for interim periods. Therefore, they do not include all information and footnote disclosures necessary for a complete presentation of Coda Octopus Group, Inc.'s financial position, results of operations and cash flows, in conformity with generally accepted accounting principles. Coda Octopus Group, Inc. (the Company, Coda Octopus," "we," or "us") filed audited consolidated financial statements as of and for the fiscal years ended October 31, 2017 and 2016 which included all information and notes necessary for such complete presentation in conjunction with its Annual Report on Form 10-K filed on January 30, 2018 (the "Annual Report"). The results of operations for the interim period ended January 31, 2018 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2017 included in the Annual Report. The accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring items) which are, in the opinion of management, necessary for a fair statement of the Company's financial position as of January 31, 2018 and the results of operations, comprehensive income and cash flows for the interim periods ended January 31, 2018 and 2017. The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company uses the US dollar as the reporting currency for financial reporting. The financial position and results of operations of the Company's UK-based operations are measured using the British Pound, Australian based operations are measured using Australian Dollars and Norwegian based operations are measured using Norwegian Kroner and Danish based operations are measured using Danish Kroners as the functional currencies. Foreign currency translation gains and losses are recorded as a change in other comprehensive income. Transaction gains and losses generated from the remeasurement of assets and liabilities denominated in currencies other than the functional currency of our foreign operations are also included in other comprehensive income.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's short term financial instruments consist of cash and cash equivalents, receivables, accounts payable and the line of credit. The Company adjusts the carrying value of financial assets and liabilities denominated in other currencies such as cash, receivables, accounts payable and the lines of credit using the appropriate exchange rates at the balance sheet date. The Company believes that the carrying values of these short term financial instruments approximate their estimated fair values.

NOTE 3 – FOREIGN CURRENCY TRANSLATION

The financial position and results of operations of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of operations denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted average exchange rates during the reporting period. The resulting translation gains and losses on assets and liabilities are recorded in accumulated other comprehensive income (loss), and are excluded from net income until realized through a sale or liquidation of the investment.

NOTE 4 – INVENTORY

Inventory is stated at the lower of cost (weighted average method) or market. Inventory consisted of the following components:

	January 31, 2018	October 31, 2017
Raw materials and parts	$ 3,427,366	$ 2,651,511
Work in progress	335,774	501,692
Demo goods	-	349,480
Finished goods	402,154	149,566
Total Inventory	$ 4,165,294	$ 3,652,249

NOTE 5 – OTHER CURRENT ASSETS

Other current assets consisted of the following components:

	January 31, 2018	October 31, 2017
Deposits	$ 11,414	$ 11,255
Other receivables	46,283	73,600
Value added tax (VAT) receivable	77,036	235,959
Total Other Current Assets	$ 134,734	$ 320,814

NOTE 6 – ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues including unbilled and deferred revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include costs and earnings in excess of billings, billings in excess of costs valuation of accounts receivables, valuation of inventory, valuation of Deferred Tax Assets (“DTAs”) and estimated earnings and the valuation of goodwill.

NOTE 7 – 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 consolidated balance sheets as Unbilled Receivables of $1,594,063 and $2,723,172 as of January 31, 2018 and October 31, 2017, respectively.

Our Deferred Revenue of $399,152 and $402,955 as of January 31, 2018 and October 31, 2017, respectively, consists of billings in excess of costs and revenues received as part of our warranty obligations upon completing a sale – and also subscriptions by customers for ongoing technical support of equipment purchased - elaborated further in the last paragraph of this note.

Billings in excess of cost and estimated earnings on uncompleted contracts represent project invoices billed to customers that have not been earned as of the date of the balance sheets. These amounts are stated on the balance sheets as a component of Deferred Revenue of $0 as of January 31, 2018 and October 31, 2017, respectively.

Revenue received as part of sales of equipment includes a provision for warranty and is treated as deferred revenue, along with extended warranty sales, and Through Life Support with these amounts amortized over 12 months, our stated warranty period, from the date of sale and 60 months for Through Life Support. These amounts are stated on the balance sheets as a component of Deferred Revenue of $84,192 and $76,574 as of January 31, 2018 and October 31, 2017, respectively.

NOTE 8 - CONCENTRATIONS

Significant Customers

During the three months ended January 31, 2018, the Company had one customer from whom it generated sales greater than 10% of net revenues. Revenues from this customer were $364,661, or 12% of net revenues. Total accounts receivable from this customer at January 31, 2018 were $227,420 or 12% of accounts receivable.

During the three months ended January 31, 2017, the Company had two customers from whom it generated sales greater than 10% of net revenues. Revenues from these customers were $1,935,662, or 36% of net revenues during the period. Total accounts receivable from these customers at January 31, 2017 was $129,696 or 7% of accounts receivable.

NOTE 9 – LOANS AND NOTES PAYABLE

	January 31, 2018	October 31, 2017
Secured note payable to HSBC with interest payable on the 28th day of each month at 4.56% per annum and the Company is required to make monthly principal and interest payment of $149,350. Additionally, within 150 days of the end of each fiscal year the Company is required to pay an additional amount of $700,000 which will be applied to reduce the principal outstanding under the Secured Loan. The loan is scheduled to mature on April 28, 2022, based on the payment scheduled in the Loan Agreement it is expected that the Loan will be repaid in full in approximately 45 months.	$ 6,912,837	$ 7,279,353
One of the subsidiaries has an unsecured working capital loan from the CEO of the Group. The note is due on November 30, 2018 and carries an interest rate of 4.5%.	1,000,000	1,000,000
Total	7,912,837	8,279,353
Less: current portion	(3,238,256)	(2,212,951)
Total Long-Term Loans and Notes Payable	$ 4,674,581	$ 6,066,402

NOTE 10– ACCUMULATED OTHER COMPREHENSIVE INCOME

	January 31, 2018	October 31, 2017
Balance, beginning of year	$ (2,038,431)	$ (2,337,437)
Total other comprehensive income (loss) for the year - foreign currency translation adjustment	955,937	299,006
Balance, end of period	$ (1,082,494)	$ (2,038,431)

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, which deferred the effective date of the new revenue standard for periods beginning after December 15, 2016 to December 15, 2017, with early adoption permitted but not earlier than the original effective date. We have evaluated the effects of this updated standard and determined that it will not have a significant impact on our consolidated financial statements and related disclosures.

On February 24, 2016, the FASB issued ASU No. 2016-02, Leases, requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

On March 30, 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies various aspects related to the accounting and presentation of share-based payments. The amendments require entities to record all tax effects related to share-based payments at settlement or expiration through the income statement and the windfall tax benefit to be recorded when it arises, subject to normal valuation allowance considerations. All tax-related cash flows resulting from share-based payments are required to be reported as operating activities in the statement of cash flows. The updates relating to the income tax effects of the share-based payments including the cash flow presentation must be adopted either prospectively or retrospectively. Further, the amendments allow the entities to make an accounting policy election to either estimate forfeitures or recognize forfeitures as they occur. If an election is made, the change to recognize forfeitures as they occur must be adopted using a modified retrospective approach with a cumulative effect adjustment recorded to opening retained earnings. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. We have evaluated the effects of this updated standard and determined that it will not have a significant impact on our consolidated financial statements and related disclosures.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to our Consolidated Financial Statements.

NOTE 12 – EARNINGS PER COMMON SHARE

Fiscal Period	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017
Numerator:		
Net (Loss) Income	$ (167,939)	$ 1,571,961
Denominator:		
Basic weighted average common shares outstanding	9,172,837	9,101,493
Conversion of Series C Preferred Stock	-	-
Diluted outstanding shares	9,172,837	9,101,493
Earnings from continuing operations		
Basic	$ (0.02)	$ 0.17
Diluted	$ (0.02)	$ 0.17

Common stock equivalents of 200,000 shares were excluded from the January 31, 2018, computation as their effect would be anti-dilutive.

NOTE 13 – SEGMENT ANALYSIS

We are operating in two reportable segments, which are managed separately based upon fundamental differences in their operations. Coda Octopus Martech and Coda Octopus Colmek operate as contractors, and the balance of our operations are comprised of product sales.

Segment operating income is total segment revenue reduced by operating expenses identifiable with the business segment. Corporate includes general corporate administrative costs.

The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in the summary of accounting policies.

There are inter-segment sales which have been eliminated in our financial statements but are disclosed in the tables below for information purposes.

The following table summarizes segment assets and operating balances by reportable segment as of and for the three months ended January 31, 2018 and 2017 respectively.

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

* United States
* Europe
* Australia

Information concerning principal geographic areas is presented below according to the area where the activity has taken place for the three months ended January 31, 2018 and 2017 respectively:

NOTE 13 – SEGMENT ANALYSIS (continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Three Months Ended January 31, 2018				
Revenues from External Customers	$ 2,042,942	$ 1,007,615	$ -	$ 3,050,557
Cost of Revenues	430,131	515,976	-	946,107
Gross Profit	1,612,811	491,639	-	2,104,450
Research & Development	442,274	228,265	-	670,539
Selling, General & Administrative	577,565	630,874	297,318	1,505,757
Total Operating Expenses	1,019,839	859,139	297,318	2,176,296
Operating Income (Loss)	592,972	(367,500)	(297,318)	(71,846)
Other Income (Expense)				
Other Income	6,655	-	-	6,655
Interest (Expense)	(4,419)	(14,949)	(83,380)	(102,748)
Total other income (expense)	2,236	(14,949)	(83,380)	(96,093)
Income (Loss) before income taxes	595,208	(382,449)	(380,698)	(167,939)
Income tax benefit (expense)	-	-	-	-
Net Income (Loss)	$ 595,208	$ (382,449)	$ (380,698)	$ (167,939)
Supplemental Disclosures				
Total Assets	$ 12,419,192	$ 11,095,135	$ 5,449,334	$ 28,963,661
Total Liabilities	862,542	1,405,271	7,126,250	9,394,063
Revenues from Intercompany Sales - eliminated from sales above	471,218	10,189	675,000	1,156,407
Depreciation and Amortization	137,518	79,715	2,937	220,170
Purchases of Long-lived Assets	201,917	43,905	-	245,822

NOTE 13 – SEGMENT ANALYSIS (continued)

	Marine Technology Business (Products)	Marine Engineering Business (Services)	Overhead	Total
Three Months Ended January 31, 2017				
Revenues from External Customers	$ 2,450,599	$ 2,907,604	$ -	$ 5,358,203
Cost of Revenues	730,021	1,253,025	-	1,983,046
Gross Profit	1,720,578	1,654,579	-	3,375,157
Research & Development	251,230	-	-	251,230
Selling, General & Administrative	574,648	686,411	144,829	1,405,888
Total Operating Expenses	825,878	686,411	144,829	1,657,118
Operating Income (Loss)	894,700	968,168	(144,829)	1,718,039
Other Income (Expense)				
Other Income	49,416	-	-	49,416
Interest (Expense)	(350,334)	(124,221)	279,061	(195,494)
Total other income (expense)	(300,918)	(124,221)	279,061	(146,078)
Income before income taxes	593,782	843,947	134,232	1,571,961
Income tax benefit (expense)	-	-	-	-
Net Income	$ 593,782	$ 843,947	$ 134,232	$ 1,571,961
Supplemental Disclosures				
Total Assets	$ 10,586,262	$ 12,249,349	$ 506,050	$ 23,341,661
Total Liabilities	843,107	1,716,788	9,723,632	12,283,527
Revenues from Intercompany Sales - eliminated from sales above	172,853	59,899	118,875	351,627
Depreciation and Amortization	101,463	71,725	3,211	176,399
Purchases of Long-lived Assets	1,645,460	22,181	12,470	1,680,111

NOTE 13 – SEGMENT ANALYSIS (continued)

	USA	Europe	Australia	Total
External Revenues by Geographic Locations				
Three Months Ended January 31, 2018	$ 1,087,626	$ 1,822,036	$ 140,895	$ 3,050,557
Three Months Ended January 31, 2017	$ 2,749,768	$ 2,017,036	$ 591,399	$ 5,358,203

NOTE 14 – INCOME TAXES

On December 22, 2017, the US Congress passed the Tax Cuts and Jobs Act, which reduced the corporate tax rate from 39% to 21%. This change would reduce the deferred tax asset, from $4,270,500 to $2,299,500 as of October 31, 2017. The Company has provided full valuation allowance against the deferred tax asset. There will not be an impact to these financial statements because of this tax law change. However, should our deferred tax asset reverse we will not recognize benefits in the amounts previously expected.

NOTE 15 - SUBSEQUENT EVENTS

1. Pursuant to an agreement entered into in June 2017, on February 1, 2018 the Company issued an aggregate of 6,250 shares of its common stock to two consultants for services rendered at a value of $4.62 for each share of common stock.

2. On February 5, 2018, the Company sold 75,000 shares of its common stock to one of its' directors, at a price of $4.61 per share. The purchase price per share reflects the market value of the Company's common stock, which, for purposes of stock sales to directors, is defined by the Nasdaq Capital Market as the consolidated closing bid price of the Company's stock as of February 2, 2018.

   This transaction was part of the Company's private placement that was completed on January 31, 2018 and which was previously disclosed ("the Offering").

3. On February 12, 2018, pursuant to certain existing pro-rata contractual rights under the Offering dated January 31, 2018 (See Part II (Other Information) Item 2, of this report), the Company sold 2,777 shares of common stock at a price of $4.61 per share to one of the purchasers who participated in the Offering.

4. On or around March 15, 2018, the Company repaid to HSBC NA $4,877,793, reducing the outstanding balance to HSBC under the Secured Loan disclosed in Note 9 of the unaudited Consolidated Financial Statements. This payment reduces the principal amount outstanding under this HSBC Secured Loan to $1,917,602 as of March 15, 2018. The Principal Amount will be re-amortized and the monthly payments under this Secured Loan will be approximately $43,777 comprising both principal and interest. The Mandatory Principal Payments called for in the original note have been satisfied with this payment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 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 and the audited financial statements included in our Form 10-K filed with the Securities and Exchange Commission on January 30, 2018. 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

Throughout these discussions, the following terminologies listed in the table immediately below are used and have the meanings ascribed to them in the said table.

"*Current Quarter*" This refers to the three month period ended January 31, 2018
"*Previous Quarter*" This refers to the three month period ended January 31, 2017

We operate two distinct business segments. Our Products Segment designs and manufactures patented real time 3D sonar solutions and other leading products for subsea applications ("Products Segment"). Our Services Segment supplies engineering services to prime defense contractors ("Services Segment").

Our products are used primarily in the underwater construction market, offshore oil and gas, offshore wind energy industry, and in the complex dredging, port security, mining and marine sciences sectors. Our customers include service providers to major oil and gas companies, law enforcement agencies, ports, mining companies, defense bodies, research institutes and universities.

Our Services segment supplies engineering services mainly to prime defense contractors such as Raytheon and Northrop Grumman. We have long-standing relationships with prime defense contractors. We support some significant defense programs by supplying and maintaining proprietary parts through obsolescence management programs. These services provide recurring stream of revenues for our Services segment.

Historically, the Products Segment generated approximately 70% of our overall revenues on an annualized basis. However, until the financial year ended October 31, 2017, the Services Segment grew at a faster pace and the revenues contributed by each segment (Products and Services) were equally split. During the financial year ended October 31, 2017, revenues and net income of the Services Segment fell significantly due to the delay in approving the defense budget by the new US administration. In the Current Quarter revenues from the Services Segment continued to decline due to the ongoing delay in the approval of the defense budget, with the Products Segment generating 67% of our overall revenues in the Current Quarter and the Services Segment generating 33%. The US administration has now approved its overall budget but it remains subject to the line item appropriation process. We anticipate that prime defense contractors will start releasing their orders to sub-contractors in the near future. Nevertheless, although we expect our backlog to grow in fiscal year 2018, revenues from the Services Segment is expected to be down on an annualized basis as it will take time to convert these backlog orders into revenues, due to lead time associated with parts required to fulfil these orders. Typically, defense parts are on 18-32 week lead time. Moreover, even though the Products Segment generated 67% of our overall revenues in the Current Quarter, revenues from this segment declined by 20% over the Previous Period. This is due to weak order book combined with seasonality issues in the first quarter. Typically, in the first quarter sales are slow due to the holiday season in December in conjunction with with slow return to work in January. This impacts on order take during the first quarter and unless there is a strong order book carried forward, the first quarter is generally weak. Furthermore, this segment continued to be hampered by the contraction in Oil & Gas ("O&G") and although the price of oil is rising, operators within this space are still very conservative and therefore the relevant projects are not coming on stream as quickly as the industry would like to see.

Nevertheless, we believe that our unique and patented real time 3D solutions are a significant advancement on the current technology available in the subsea sonar imaging market due to its ability to provide real time volumetric data of underwater targets in low or zero visibility conditions and its capability to image moving objects in the subsea environment. Furthermore, because the technology provides real time imaging of the underwater environment, it enhances safety significantly and delivers substantial productivity gains to our customers, thus reducing their costs. In addition, our real time 3D solution is emerging as the preferred solutions for subsea asset placements because of the technology's unique ability to image moving targets (such as Accropodes™, X-Blocs and Antifers block placements, mattress placements, landing of installations on the seabed and the like). Due to the decline in the price of oil, many O&G companies are seeking cost effective solutions for their operations. We believe that our real time 3D solution has the potential to revolutionize the technology used in underwater operations particularly where real time visualization is required or zero or low visibility conditions prevail.

We also believe that with the proliferation of underwater drones our technology has significant application for the imaging sonar defense market (which is worth billions of dollars annually) as it is the only available off the shelf technology that can image moving targets (such as underwater vehicles) in the water.

Since introducing this product, we have made progress in getting our core real time 3D technology, the Echoscope®, adopted by a significant number of ports in the USA (the CodaOctopus® Underwater Inspection System (which integrates our Echoscope®, motion sensing product and hydrographic pole)) where it is used for port and harbor security. In addition to the successes we have had in the USA with our Underwater Inspection System, in 2015 we secured the first sale of our Underwater Inspection System to a foreign government body in East Asia and in 2016 we sold two additional full system to this body. We anticipate selling additional systems into this government body as part of their technology upgrade program for the next three years. Furthermore, we continue to increase the number of ports in the USA using this system. In fiscal year 2018 we are projecting further sales in the US of this product.

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

In addition, in recent years we have started to rent our real time 3D solutions together with engineering services. Given the contraction in capital expenditures budget in the O&G market, rentals are increasingly becoming an important part of the composition of the Company's revenues and these O&G operators are more prepared to utilize operational budgets. Furthermore, our rental offering generally yields a higher gross margin for the Company.

Our business is affected by a number of factors including those set out below:

A. The Company's operations are split between the United States, United Kingdom, Australia and Norway. A large proportion of our revenues (approximately 64% in the Current Quarter) and costs are incurred outside of the USA with a significant part (60% of our total revenues in the Current Quarter) of that in the United Kingdom ("UK"). In addition, a significant part of our assets (both current and fixed) are held in British Pounds by our foreign subsidiaries.

B. On June 23, 2016, the United Kingdom voted to exit the European Union. This resulted in significant currency exchange rate fluctuations and volatility in global stock markets including a sharp fall of the British Pound against the US Dollar. The British government and the European Union are now negotiating the terms of the United Kingdom's exit from the European Union (so-called "Brexit"). The United Kingdom's separation could, among other things, disrupt trade and the free movement of goods, services and people between the United Kingdom and the European Union or other countries as well as create legal and global economic uncertainty. Although the British Pound has strengthened against the US Dollar recently, the British Pound is likely to remain volatile until the outcome of the outcome of the European Union negotiations on key areas which are the subject of these negotiations is clearer.

C. Since the Brexit vote, we have suffered adverse currency movements affecting our UK Businesses. In summary, since our reporting currency is the US Dollar, the fall in the British Pound impacts on our revenues, costs and balance sheet valuation. Although in the Current Quarter we realized a gain from exchange rate translations, the British Pound continues to be volatile and as the negotiations on Brexit advance, we can expect increasing volatility. Notwithstanding recently the British Pound has strengthened against the US Dollar resulting in foreign currency gains for the Company.

D. Given the lack of comparable precedent, the implications of Brexit or how such implications might affect the Company in the medium to long term are unclear.

Further areas of impact include:

i. the price of commodities, in particular O&G. The decline in O&G prices since 2014 with a partial recovery since 2016 has resulted in large scale reductions in capital and operational expenditures, which directly impact on the sales of our products into these and related markets and also our gross margins;

ii. the allocation of funds to defense procurement by governments in the United States and the United Kingdom;

iii. volatility of the markets including the currency market;

iv. approximately 60% of the Company's revenues in the Current Quarter are transacted and generated in British Pounds by the Company's subsidiaries in the United Kingdom and therefore we have a currency exposure. The depreciation of the British Pound against major currencies adversely impacts our revenues as a whole which are reported in U.S. Dollars. Furthermore, a large part of our assets is held in British Pounds while the majority of our liabilities (which comprise our senior secured debentures – see Note 9 of the unaudited Consolidated Financial Statements) are maintained in U.S. Dollars. In the Current Quarter as compared to the Previous Quarter, we realized a balance sheet gain on our assets due to an appreciation of the British Pound against the US Dollar prevailing at the balance sheet date of January 31, 2018. In Current Quarter compared to the Previous Quarter, we also realized a gain on exchange rate translations in respect of our profit and loss account. See Note 3 of the unaudited Consolidated Financial Statements for more information on our Foreign Currency Translation policy.

v. global-political uncertainties affecting the markets into which we sell our goods and services;

vi. global trends which make certain geographical regions more competitive in providing engineering solutions because of lower labor costs (e.g. India and China) are likely to affect our Engineering Businesses in the Group;

vii. being a small technology company, we are unable to compete for certain specialized electronic engineering skills as our remuneration package is not as competitive as those offered by bigger companies;

viii. the Company has issued and outstanding a promissory note (See Note 9 of the unaudited Consolidated Financial Statements January 31, 2018 and 2017). This note is secured by all of the Company's assets in the USA and is also guaranteed by its overseas subsidiaries;

ix. we lack the financial resources to advance our flagship technology at the commercially appropriate pace required to capture new markets and increase our sales which could facilitate new entrants to the market. For example, Teledyne Technologies Incorporated, a multi-billion company, has recently acquired a number of subsea companies that may speed up their entry into our market;

x a significant part of our growth strategy is predicated on our patented real time 3D sonar technology. The technology space is inherently uncertain due to the fast pace of innovations and therefore we can give no assurance that we can maintain our leading position in the real time 3D imaging sonar market or that innovations in other areas may not surpass our unique capability that we currently supply to subsea market.

Critical Accounting Policies

This discussion and analysis of our financial condition and results of operations is 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 2, "Summary of Accounting Policies" of our Consolidated Financial Statements of October 31, 2017.

Revenue Recognition

Our revenue is derived from sales of underwater technologies and equipment for imaging, mapping, defense and survey applications and from the engineering services which we provide. Revenue is recognized when evidence of a contractual arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after delivery.

For arrangements with multiple deliverables, we recognize product revenue by allocating the revenue to each deliverable based on the relative fair value of each deliverable, and recognize revenue when equipment is delivered, and for installation and other services as they are performed.

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

For software license sales for which any services rendered are not considered essential to the functionality of the software, we recognize revenue upon delivery of the software, provided (1) there is evidence of a contractual arrangement for this, (2) collection of our fee is considered probable and (3) the fee is fixed and determinable.

For arrangements that are generated from time and material contracts where there is a signed agreement and approved purchase order in place that specifies the fixed hourly rate and other reimbursable costs to be billed based on material and direct labor hours incurred, revenue is recognized on these contracts based on material and direct labor hours incurred. Revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred (materials and direct labor hours) to date to estimated total services (materials and direct labor hours) for each contract. This method is used as expenditures for direct materials and labor hours are considered to be the best available measure of progress on these contracts. Losses on fixed-price contracts are recognized during the period in which the loss first becomes apparent based upon costs incurred to date and the estimated costs to complete as determined by experience from similar contracts. Variations from estimated contract performance could result in adjustments to operating results.

Rental Revenue is recognized monthly over the term of the rental period.

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

We recognize the expense related to the fair value of stock based compensation awards within the consolidated statements of income and comprehensive income. We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the periods in which the related services are rendered.

Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification 740, Income Taxes (ASC 740). Under ASC 740, deferred income tax assets and liabilities are recorded for the income tax effects of differences between the bases of assets and liabilities for financial reporting purposes and their bases for income tax reporting. The Company's differences arise principally from the use of various accelerated and modified accelerated cost recovery system for income tax purposes versus straight line depreciation used for book purposes and from the utilization of net operating loss carry-forwards.

Deferred tax assets and liabilities are the amounts by which the Company's future income taxes are expected to be impacted by these differences as they reverse. Deferred tax assets are based on differences that are expected to decrease future income taxes as they reverse. Correspondingly, deferred tax liabilities are based on differences that are expected to increase future income taxes as they reverse. Note 7 to the Consolidated Financial Statements at October 31, 2017 discusses the amounts of deferred tax assets and liabilities, and also presents the impact of significant differences between financial reporting income and taxable income.

On December 22, 2017, the US Congress passed the Tax Cuts and Jobs Act, which reduced the corporate tax rate from 39% to 21%. This change would reduce the deferred tax asset, from $4,270,500 to $2,299,500 as of October 31, 2017. The Company has provided full valuation allowance against the deferred tax asset. There will not be an impact to these financial statements because of this tax law change. However, should our deferred tax asset reverse we will not recognize benefits in the amounts previously expected.

For income tax purposes, the Company uses the percentage of completion method of recognizing revenues on long-term contracts which is consistent with the Company's financial reporting under U.S. generally accepted accounting principles.

Intangible Assets

Intangible assets consist principally of the excess of cost over the fair value of net assets acquired (or goodwill), customer relationships, non-compete agreements and licenses. Goodwill was allocated to our reporting units based on the original purchase price allocation. Goodwill is not amortized and is evaluated for impairment annually or more often if circumstances indicate impairment may exist. Customer relationships, non-compete agreements, patents and licenses are being amortized on a straight-line basis over periods of 2 to 10 years. The Company amortizes its limited lived intangible assets using the straight-line method over their estimated period of benefit. We periodically evaluate the recoverability of intangible assets and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value, which is based on future cash flows, exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, the second step must be performed to measure the amount of the impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. At the end of each year, we evaluate goodwill on a separate reporting unit basis to assess recoverability, and impairments, if any, are recognized in earnings. An impairment loss would be recognized in an amount equal to the excess of the carrying amount of the goodwill over the implied fair value of the goodwill. There were no impairment charges during the periods presented.

Consolidated Results of Operations

We operate two distinct business segments. Our Marine Technology Business designs and manufactures patented real time 3D sonar solutions and other leading products for subsea applications ("Products Segment"). Our Marine Engineering Business supplies engineering services to prime defense contractors ("Services Segment").

Our Products Segment sells its products and associated services to the offshore wind energy, dredging and marine construction, marine and port security, mining including deep sea mining, marine sciences sector and oil and gas sectors. This segment generated approximately 67% and 46% of our total revenues for the Current and Previous Quarter, respectively.

Our Services Segment largely sells its services into prime and sub-prime defense contractors. This segment generated approximately 33% and 54% of our total revenues for the Current and Previous Quarter, respectively. This segment continues to be an important part of the Group's revenues plan and, in particular, our subsidiary Coda Octopus Colmek.

Overall our financial results in the Current Quarter were down compared to the Previous Quarter due to a combination of factors. The Services Segment did not achieve its business plan in the Current Quarter and revenues were significantly down due to delays in receiving anticipated defense contracts that were within its projections due to the delay in the new Administration in approving the federal budget. The Services Segment revenues declined by 65.3% in the Current Quarter compared to the Previous Quarter. Consequently, net income from this Segment fell from $843,947 to a loss of $(382,449). The Products Segment's results were broadly in line with its business plan in the Current Quarter. In relation to this segment, revenues declined by 20% over the Previous Quarter while net income was $595,208 compared to $593,783 in the Previous Quarter. In real terms therefore, despite the fall in revenues, the financial performance of the Products Segment has improved over the Previous Quarter since its operating expenses have materially increased to $1,019,839 in the Current Quarter compared to $825,878 in the Previous Quarter. During the financial year 2018 we expect our Research and Development (R&D) costs to increase significantly and this increase will impact our overall earnings in the 2018 period. See below for further explanation of this. We have started to productize some of our R&D efforts. Our Services Segment invested in developing software for an unmanned mine hunting system for a defense contractor. It is anticipated for each such vehicle that is sold by this defense contractor we will supply a software license. Furthermore, on Products side we have launched the first product in our fourth generation of real time 3D imaging sonar and have since launch had two successful customer trials.

Results of Operations for the Current Quarter compared to the Previous Quarter

Revenue: Total revenues for the Current Quarter and the Previous Quarter were $3,050,557 and $5,358,203, respectively, representing a decrease of 43.1%. The Products Segment generated 67% of overall revenues and the Services Segment generated 33%. The decrease in Revenues in the Current Quarter is largely due to the decline in the revenues generated by our Services Segment due to ongoing delays in finalizing the federal US budget. Revenues in the Services Segment declined by 65.3% in the Current Quarter compared to the Previous Quarter. Revenues in the Products Segment declined by 16.6 % in the Current Quarter compared to the Previous Quarter. This decline is due largely to weak backlog and seasonality impact in the Current Quarter.

Gross Margins*:* Margin percentage was stronger in the Current Quarter at 69.0% (gross profit of $2,104,450) compared to 63.0% (gross profit $3,375,157) in the Previous Quarter. This increase is a reflection of the mix of sales generated in the Current Quarter with more units of sales generated from the Products Segment compared to the Services Segment. Further information on the performance of each Segment can be found in Note 13 to the Unaudited Consolidated Financial Statements.

Research and Development (R&D). R&D expenditures in the Current Quarter were $670,539 compared to the Previous Quarter, when these expenditures were $251,230, representing an increase of 166.9%. This is in line with our budgetary plans for the fiscal year 2018.

Both the Products Segment and Services Segment R&D expenditures increased in the Current Quarter compared to the Previous Quarter.

Description		Amount	% increase/decrease
Services Segment R&D Expenditures in the Current Quarter	$	228,265	-
Services Segment R&D Expenditures in the Previous Quarter		Nil	
Products Segment R&D Expenditures in the Current Quarter	$	442,274	76.0%
Products Segment R&D Expenditures in the Previous Quarter	$	251,230	

The increase in this category of expenditures in relation to the Services Segment reflects the investment the Company is making in refreshing the Thermite® product it acquired in June 2014 and which is a significant part of its growth plans. Thermite is a ruggedized mission computer with various variants which are man worn, backpack worn and simultaneously integrated in the soldier's helmet and in defense system such as air-borne drones. The next generation of Thermite® (now the Thermite® Octal) is at the prototype stage and is with a significant customer for trials and assessments.

The increase in this category of expenditures in the Products Segment reflects the investment we are making in the technological advancement of our real time 3D imaging sonar technology and motion sensing products. This investment involves bringing in new skills and incurring significant non-recurring engineering costs for prototyping new real time 3D imaging sonar products and motion sensing products. At present we are focusing on developing our fourth generation ("4G") of our real time 3D imaging sonar solutions for various market applications and varying price points. Our 4G products will be aimed at expanding our market share by introducing more applications-focused products to the market. In respect of our 4G of products, we are pursuing a 18-24 months' roll out plan. In this connection, on January 16, 2018 we launched the first product within our 4G series of real time 3D imaging sonars, Echoscope$^{4G®}$ Surface. This first product is approximately 50% lighter, 40% smaller and requires 30% less power than the 3G generation of products. The Echoscope$^{4G®}$ Surface is a shallow water system (for deployments and applications not exceeding 20 meters water depth) including being used as a hand-held diver support system. We believe this is a significant achievement as it potentially paves the way for more market applications for the technology and potentially increases our market share of imaging sonars.

Selling, General and Administrative Expenses (SG&A). SG&A expenses for the Current Quarter increased to $1,505,757 from $1,405,888 in the Previous Quarter representing an increase of 7.1%. This is in line with new costs associated with our SEC reporting, NASDAQ listing, increased professional fees relating to these activities, and increase in the costs of our Directors and Officers insurance.

Key Areas of SG&A Expenditure across the Group for the Current Quarter compared to the Previous Quarter are:

Expenditure	January 31, 2018	January 31, 2017	Percentage Change
Wages and Salaries	$ 685,214	$ 827,914	Decrease of 17.2%
Legal and Professional Fees (including accounting, audit and investment banking services)	$ 322,670	$ 252,614	Increase of 27.7%
Rent for our various locations	$ 26,891	$ 13,482	Increase of 99.5%
Marketing	$ 13,687	$ 64,813	Decrease of 78.9%

The decrease in the category of expenditures "Wages and Salaries" is a reflection of rationalization of our resources by reducing costs in other areas to invest in Research and Development activities (see above).

The increase in Legal and Professional category of expenditures is a reflection of the increased costs associated with becoming a listed SEC reporting company.

The increase in the category of rent is a reflection of our subsidiary in Orlando now renting office space (and no longer owning office space). However, the outlook for this category of expenditure is that this will decrease as we are re-rationalization our costs to fund our Research and Development activities. As such, we will cease renting office space in Australia from May 2018 and Norway from April 2018 but there will be one-off costs associated with surrendering these premises.

Operating Income (loss). We realized a loss from our operating activities in the Current Quarter of $71,846 as compared to an operating income of $1,718,039 in the Previous Quarter. This decrease is due to the realization of a reduction in revenues generated in the Current Quarter in conjunction with an increase in both our Research & Development expenditures and Selling & General Administrative expenditures.

Interest Expense. Interest expense decreased by 47.4% in the Current Quarter to $102,748 from $195,494 in the Previous Quarter. This is due to lower interest payments on our current Senior Loan with HSBC Bank NA than on the previous secured debentures. Please refer to Note 9 – Loans and Notes Payable to the Unaudited Consolidated Financial Statements for further details pertaining to this HSBC Loan for more information on this.

Other Income. In the Current Quarter, we had Other Income of $6,655 as compared to $49,416 in the Previous Quarter resulting in a decrease by 86.5%. This category is subject to fluctuations as it usually reflects Value Added Tax rebates from purchases made outside of the European Union by our UK operations and therefore changes according to the level of such purchases.

Net Income. In the Current Quarter, we had a net loss of $167,939 as compared to net income of $1,571,961 in the Previous Quarter. This is attributable to the decrease in our overall revenues in conjunction with an increase in key areas of expenditures (Research & Development and Selling and General Administrative).

Comprehensive Income. In the Current Quarter, our Comprehensive Income was $787,998 compared to $1,993,121 in the Previous Quarter, representing a decrease of 60.5%. The decrease is a reflection of the loss realized in the Current Quarter. Comprehensive Income benefited from an increase in the foreign currency translation adjustment of $955,937 in the Current Quarter as compared to $421,160 in the Previous Quarter.

Liquidity and Capital Resources

At January 31, 2018, the Company had an accumulated deficit of $37,150,876, working capital of $15,417,119 and stockholders' equity of $19,569,598. For the Current Quarter, the Company used cash for operations of $160,337.

Financing Activities

Secured Promissory Note

On April 28, 2017, the Company and its wholly-owned US based subsidiaries, Coda Octopus Products, Inc. and Coda Octopus Colmek, Inc. (together, the "Subsidiaries"), entered into a loan agreement with HSBC Bank NA (the "Lender") for a loan in the principal amount of $8,000,000 (the "Loan"). The annual interest rate is fixed at 4.56%. Commencing on May 28, 2017 and continuing on the 28th day of each month thereafter, the Company is required to make monthly principal and interest payments of $149,350 until April 28, 2022. In addition, within 30 days after the delivery to the Lender of the Company's annual audited financial statements, the Company is required to make an annual principal payment of $700,000 during the term of the Loan. Such annual payments will reduce the balance of the principal outstanding. As a result, it is expected that the Loan will be repaid within a period of approximately 45 months. The Loan may be prepaid in whole or in part at any time subject to a break funding charge as detailed in the promissory note evidencing the Loan.

The obligations in connection with the repayment of the Loan are secured by all assets of Coda Octopus Group, Inc., and its US Subsidiaries. Our foreign subsidiaries are joint and several guarantors of the obligations.

The proceeds from the Loan were used to repay in its entirety the outstanding principal balance of $8,000,000 of secured debentures (the "Debentures") that were issued by the Company in February 2007 and that were most recently held by CCM Holdings, LLC. ("CCM"). Accrued and unpaid interest under the Debentures of approximately $1,133,261 was satisfied through the issuance to CCM of 1,000 shares of Series C Convertible Preferred Stock, par value $0.001, with a stated value of $1,000 each (the "Preferred Stock"). The Preferred Stock is convertible at the option of either the holder or the Company at a conversion price of $5.00 for each Series C Preferred Stock held. The Company paid the balance in cash.

On January 31, 2018, the outstanding principal balance under the Loan was $6,912,837. On March 14, 2018, the Company made a $4,877,793 pre-payment to HSBC thereby reducing the principal balance of the Loan to $1,917,602. The amount paid includes all Mandatory Principal Payments. As a result, of the pre-payment, monthly principal and interest payments to HSBC will be reduced to approximately $43,777.

Private Placement

Between January 29, 2018 and February 12, 2018, the Company consummated the sale and issuance of 1,203,727 shares of its common stock in a private placement of shares of common stock at $4.40 per share (the "Offering"). Total gross proceeds from the Offering were $5,312,732. The purchase price per share was based on a 10% discount of the volume weighted average price (VWAP) of the common stock on the Nasdaq Capital Market for the 30-consecutive trading-day period ending on January 22, 2018. The total number of shares sold also included 75,000 shares of common stock sold to one of the Company's directors at $4.61 per share, representing the consolidated closing bid price of the Company's common stock on February 2, 2018.

Under the terms of the Offering, the Company is required to file a re-sale registration statement prior to May 30, 2018 with respect to the shares issued in the Offering. For a period of 36 months, the investors also have the right to purchase, based on their pro-rata ownership of common stock, shares (or securities convertible into shares) offered in subsequent offerings, subject to certain limited exceptions.

Inflation and Foreign Currency

The Company maintains its books in local currency: US Dollars, British Pound, Australian Dollars and Norwegian and Danish Kroner for its United States, United Kingdom, Australian, Norwegian and Danish operations, respectively.

The Company's operations are conducted in the United States, and through its wholly-owned subsidiaries, in the United Kingdom, Australia and Norway. As a result, fluctuations in currency exchange rates do significantly affect the Company's sales, profitability and financial position when the foreign currencies of its international operations are translated into U.S. dollars for financial reporting. In addition, we are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. The Company cannot predict the extent to which currency fluctuations may affect the Company's business and financial position, and there is a risk that such fluctuations will have an adverse impact on the Company's sales, profits and financial position. Also, because differing portions of our revenues and costs are denominated in foreign currency, movements can impact our margins by, for example, decreasing our foreign revenues when the dollar strengthens without correspondingly decreasing our expenses. The Company does not currently hedge its currency exposure.

In the reporting period, the translation of the Company's UK operations' British Pound denominated balance sheets into US dollars has been affected by the strengthening of the average value of the British pound against the US dollars in the relevant time periods from $1.25 during the Previous Quarter to $1.37 in the Current Quarter. These are the values that have been used in the calculations below. In the Current Quarter the Australian Dollars have weakened slightly and the Norwegian Kroner in effect remained unchanged against the US Dollar compared to the Previous Quarter.

The impact of these currency fluctuations on the three months ended January 31, 2018 is shown below. In this context "Constant Rates" is defined as the weighted average exchange rate prevailing in the Previous Quarter.

	GBP		AUD		NOK		Total
	Actual Results	Constant rates	Actual Results	Constant rates	Actual Results	Constant rates	Effect
Revenues	1,830,548	1,661,913	138,971	131,361	67	63	176,249
Costs	(1,519,079)	(1,379,137)	(58,591)	(55,382)	(52,855)	(50,288)	(145,717)
Net Income (Losses)	311,469	282,776	80,380	75,979	(52,788)	(50,225)	30,532
Assets	12,684,540	11,250,578	347,009	326,038	25,879	24,182	1,456,630
Liabilities	(830,609)	(736,711)	(3,739)	(3,513)	(9,863)	(9,216)	(94,771)
Net Assets	11,853,931	10,513,867	343,270	322,525	16,016	14,966	1,361,859

This table shows that the effect of constant exchange rates, versus the actual exchange rate fluctuations, reduced our net loss on activities in the Current Quarter by $30,532 and increased net assets by $1,361,859. In addition, the Company booked transactional exchange rate losses of $10,509 during the Current Quarter. All of these amounts are material to our overall financial results in the Current Quarter.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

a) 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 January 31, 2018. Based upon that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Controls.

There was no change in our internal controls over financial reporting that has materially affected, or is reasonable likely to materially affect, our internal control over financial reporting during the quarter covered by this Report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risks Factors

Not required for smaller reporting companies

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None that are required to be reported herein.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

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

101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: March 19, 2018	*/s/ Annmarie Gayle* Annmarie Gayle Chief Executive Officer
Date: March 19, 2018	*/s/ Michael Midgley* Michael Midgley Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Annmarie Gayle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coda Octopus Group, Inc. for the quarter ended January 31, 2018;

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 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 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: March 19, 2018

By: */s/ Annmarie Gayle*
Annmarie Gayle
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Midgley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Coda Octopus Group, Inc. for the quarter ended January 31, 2018;

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 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 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: March 19, 2018

By: */s/ Michael Midgley*
Michael Midgley
Chief Financial Officer
(Principal Financial and Accounting Officer)

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 on Form 10-Q of Coda Octopus Group, Inc., a Delaware corporation (the "Company"), for the period ended January 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Annmarie Gayle, Chief Executive Officer of the Company, and Michael Midgley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 19, 2018

/s/ Annmarie Gayle
Annmarie Gayle
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael Midgley
Michael Midgley
Chief Financial Officer
(Principal Financial and Accounting Officer)