

February 27, 2008



# **Coda Octopus Issues \$12 Million 8.5% Senior Secured Registered Note; Files 10K and Reports Audited Results for FY 2007**

NEW YORK--(BUSINESS WIRE)--

Coda Octopus Group, Inc. (OTCBB: CDOC), a world leader in underwater port security technology, headquartered here, said today it completed a significant new financing, and filed its 10K Report for the fiscal year ending October 31, 2007.

The Company closed a \$12 million callable secured convertible note funded by The Royal Bank of Scotland plc. Net proceeds were \$11,598,907, of which \$1 million has been retained to secure performance of certain obligations and will be released once they are satisfied. Interest is payable semi-annually in arrears, and requires repayment after 84 months with a maximum of 8.5% interest. The note is convertible into common stock at \$1.05 per share, and the Company has the option to force the conversion of the note into common stock at higher prices if the conditions set out in the transaction documents are met. The Company said the entire note was purchased by the Royal Bank of Scotland. Greenhouse Investments Limited was the transaction arranger and advisor to Coda Octopus.

This financing has been included as a subsequent event in the Company's 10K for the fiscal year ending October 31, 2007, which was filed yesterday.

## **FY 07 Year-End Results**

For the fiscal year ended October 31, 2007, Coda Octopus Group, Inc. reported revenues of \$13.9 million, as compared to \$7.3 million or the fiscal year ended October 31, 2006\*. Net loss applicable to common shares was (\$16.1 million), or (\$0.42) per share in FY 2007, compared to a loss of (\$12.1 million), or (\$0.50) per share in FY 2006. Weighted shares outstanding increased from 24,030,423 to 38,476,352 over the period.

During FY 2007, the Company acquired one new business subsidiary (Colmek Systems Engineering) started up another (Innallogic, Inc) and benefited significantly from the acquisition of Martech Systems, which was completed in June 2006. Subtracting the contributions from the acquisitions and the new business, there was a 17% increase in the Company's legacy businesses due to strong demand for Coda's traditional products in the geophysical and hydrographic survey markets.

Selling, General and Administrative (SG&A) expenses for FY 2007 increased to \$12.4 million, from \$7.5 million in FY 2006. However, SG&A for FY 2007 included \$3.3 million in non-cash charges related to the issuance of stock and options, and \$2.5 million for the acquisition of Martech, Colmek and the formation of Innallogic. Core comparable expenses increased by \$1.1 million over the period, or 16.9%, despite an increase in revenues of

approximately 90%.

Loss from operations totaled \$8.4 million in FY 2007, as compared with \$6.4 million in FY 2006. Removing non-cash expenses and non-recurring expenses, the comparison shows a loss from operations of \$4.5 million for 2007 as compared with a loss of \$3.9 million for FY 2006, an increase of \$0.6 million or 15.5%. This increase is entirely attributable to the increase in SG&A expenses over the period.

Coda Octopus President and CEO Jason Reid characterized FY 2007 as "A year of significant transition in which Coda made a number of important strategic investments in its future, restructured its operations, and achieved sustainability in its revenues and expenses in the second half of the fiscal year."

Reid continued, "The Company expects the mainstay of its growth going forward to come from its patented 3D Sonar technology which has already been deployed to protect against the threat of underwater terrorism by the US Coast Guard, and by port and government authorities in the United States and around the world."

"In addition," Reid said, "Coda is experiencing exciting growth opportunities for 3D sonar in a number of commercial markets, with orders already coming through from companies conducting underwater construction and dredging. These are two areas where we see a strong positive contribution beginning this year."

"Longer term," Reid said, "Coda perceives large and promising applications in the inspection market, where there is growing US Government interest, given the poor state of a high number of bridges and dams throughout the US. While it may take some time to start selling into this market, we expect that the next three years should see this become an established area of our concentration."

"In summary," Reid concluded, "Coda Octopus has patented, developed and deployed 3D sonar technology that is increasingly understood to be of vital importance in protecting nations worldwide, and we expect increasing uptake of our technology for our underwater security products over this year and, indeed, well into the future."

\*Period to period amounts are not directly comparable as the 2006 results only include four months of Martech numbers, as that company was acquired in June 2006, whilst the 2007 results include seven months of Colmek numbers, as that company was acquired in April 2007.

CODA OCTOPUS GROUP, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS  
OCTOBER 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$916,257	\$1,377,972
Short-term investments	\$935,000	-
Accounts receivable, net of allowance for doubtful accounts	\$2,720,151	\$1,120,968
Inventory	\$2,926,517	\$1,951,392

Other current assets	\$1,653,545	\$1,135,725
Total current assets	\$9,151,470	\$5,586,057
Property and equipment, net	\$422,738	\$276,581
Goodwill and other intangible assets, net	\$4,007,253	\$1,071,700
Total assets	\$13,581,461	\$6,934,338

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable, accrued expenses and other liabilities	\$3,555,819	\$4,217,385
Other liabilities	\$1,628,452	\$1,312,301
Loans and notes payable	\$321,521	\$1,119,496
Stockholders' equity	\$8,075,669	\$285,156
Total liabilities and stockholders' equity	\$13,581,461	\$6,934,338

CODA OCTOPUS GROUP, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDED OCTOBER 31, 2007 and 2006

	2007	2006
Net revenue	\$ 13,853,313	\$ 7,291,291
Cost of revenue	6,398,042	2,611,590
Gross profit	7,455,271	4,679,701
Research and development	3,019,090	3,130,821
Selling, general and administrative expenses	12,385,250	7,453,946
Other operating expenses	435,000	447,750
Operating loss	(8,384,069)	(6,352,816)
Other expense		
Other income	87,143	3,012
Interest expense	(6,655,283)	(1,203,690)
Total other expense	(6,568,140)	(1,200,678)
Loss before income taxes	(14,952,209)	(7,553,494)
Provision for income taxes	106	5,676
Net loss	(1,188,969)	4,536,844
Preferred stock dividends		

Loss per share, basic and diluted	(0.42)	(0.50)
	=====	=====
Net loss applicable to common shares	(16,141,284)	(12,096,014)
Weighted average shares outstanding	38,476,352	24,030,423
Comprehensive loss:		
Net loss	(14,952,315)	(7,559,170)
Foreign currency translation adjustment	(30,276)	282,704
Unrealized Gain on Investment	85,000	-
Comprehensive Loss	\$ (14,897,591)	\$ (7,841,874)
	=====	=====

## About Coda Octopus Group, Inc.

Originally founded in 1994 as Coda Technologies, the CodaOctopus Group has grown to encompass five companies and is headquartered in New York. All of the Group companies operate within the technology innovation, product development and engineering services sphere with facilities in Washington D.C., Florida, Utah, New York, the UK and Norway. Alongside providing custom engineering and development to navies, oil and gas, nuclear and medical clients around the world, one of the key products is the Coda Echoscope(TM) - the first real time 3D subsea sonar. The Coda Echoscope(TM) is the heart of the Coda Underwater Inspection System(TM) being adopted for homeland security in ports around the world and which can be linked to land based surveillance systems utilizing secure wireless communications developed by Innalogic, Inc. With this patent revolutionizing subsea visualization, and the existing systems integration skills within Colmek Systems Engineering, Inc and Martech Systems Engineering Ltd, the Coda Octopus Group companies believe they are well on the way to becoming the world's leading integrated sonar technology supplier.

For further information, please visit <http://www.codaoctopusgroup.com> or contact Coda Octopus at [info@codaoctopusgroup.com](mailto:info@codaoctopusgroup.com).

## Safe Harbor Statement:

This press release contains certain forward-looking statements. These forward-looking statements can generally be identified as such because the context of the statement will include words such as Coda Octopus Group plans, expects, should, believes, anticipates or words of similar import. Stockholders, potential investors and other readers are cautioned that these forward-looking statements are predictions based only on current information and expectations that are inherently subject to risks and uncertainties that could cause future events or results to differ materially from those set forth or implied by the forward-looking statements. Certain of those risks and uncertainties are discussed in registration statement on Form SB-2 and include, but are not limited to, market acceptance of Coda Octopus' planned products and their level of sales, access to the capital necessary to finance and grow the business, a highly competitive environment in the security field that includes numerous large and well established companies much larger than ours, and our ability successfully to deploy our technologies and products to meet the technical demands and market requirements of our customers. These forward-looking statements are only made as of the date of this press release and Coda Octopus Group does not undertake any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Source: Coda Octopus Group, Inc.