

March 19, 2018



# UPDATE -- Coda Octopus Group Reports Fiscal 2018 First Quarter Financial Results

**ORLANDO, FL**, March 19, 2018 – Coda Octopus Group, Inc. (CODA) (Nasdaq:CODA) today reported its unaudited financial results for its fiscal 2018 first quarter ended January 31, 2018.

Annamarie Gayle, CODA's Chairman and CEO commented: "Our fiscal first quarter results continue to reflect our strategic investment in technological advancement and to position the company for breakout growth across multiple multibillion-dollar markets. We continued to invest heavily in research and development to finalize our fourth-generation line of sonar products, which is on an 18-month rollout cycle, and to advance our Thermite® rugged mission computer product which is a significant part of our growth plans. During the fiscal first quarter, our engineering business continued to be adversely impacted by delays in the U.S. government budget and appropriations processes. While we are pleased to see recent progress on this front, the delay has adversely affected this past quarter's financial results. We expect our revenue plan for our engineering business to be affected throughout fiscal year 2018, but we do not believe that we have lost any business. We look forward to restarting our sales to a number of defense programs in the near future when the line item appropriation for the budget is finalized and prime defense contractors start releasing contracts for this backlog of orders."

CODA reported overall total revenue of \$3.051 million for the three months ended January 31, 2018, compared to \$5.358 million for the comparable quarter ended January 31, 2017, a reduction of 43.1%. Revenues in our engineering business declined 65.3% compared to the first quarter of 2016. Although revenues in our products business declined by 16.6% and R&D expenditures were significantly higher, both gross margins and net income from the products business were stronger. The Company reported a net loss of approximately \$168,000 or \$0.02 per share for its fiscal first quarter 2018, compared to net income of \$1.572 million or \$0.17 per share for the comparable quarter ended January 31, 2016. This loss was primarily due to the significant decline in revenues generated by our engineering business. Operating expenses for the fiscal first quarter were \$2.176 million compared to \$1.657 million for the comparable quarter, an increase of 31.3%, attributed to an increase in R&D of \$419,309 and a limited increase of \$99,869 in Selling, General and Administrative (SG&A) expenditures.

Ms. Gayle continued: "Although our results were disappointing for the reasons discussed, we believe that our growth plans and strategy are the right course for the Group. We continue to push forward with our business plan to launch a number of new real-time 3D sonar products, and to grow the number of proprietary parts we supply into funded defense programs. Our fiscal first quarter brought the launch of the initial product of our

technically advanced fourth generation real-time 3D sonar, Echoscope<sup>4G®</sup> Surface, along with our next generation Underwater Inspection System<sup>4G</sup> which is a rapid deployment system used in over 30 ports in the U.S. and by a growing number of naval forces worldwide. Over the next 18 months, we will reinvigorate our entire real-time 3D sonar range to feature significantly reduced form factors without compromising our superior real-time 3D imaging capabilities utilized in subsea environments including defense, port and harbor security, and breakwater construction. We believe our fourth generation of sonar products pushes the boundaries of sonar technology and positions the Company for this to become the standard real-time imaging sonar tool for subsea operations.

“In the engineering business we continue to increase the number of products we sell into funded defense programs. For Northrop Grumman’s AQS-24 Minehunting System, Coda Octopus Colmek has completed and delivered hardware and software upgrades that increase its capabilities. For the unmanned version, Colmek has developed software that transmits the information from the Laser Line Scanner back to the mother ship. The Laser Line Scanner provides precision optical identification of underwater mines and other objects of interest. This is a prime example of our ongoing R&D efforts, and we are pleased with this fiscal first quarter achievement by Colmek, which has been a supplier of equipment and software for Northrop’s AQS-24 for several years,” added Ms. Gayle. “We look forward to improved business performance in our engineering business later this fiscal year and continuing in fiscal 2019, as we continue to provide our customers customized rugged solutions for mission-critical integrated systems in harsh and military environments.”

The Company’s full financial results including its report for the first quarter of Fiscal Year 2018 are available at [www.nasdaq.com/symbol/coda/sec-filings](http://www.nasdaq.com/symbol/coda/sec-filings).

### **About Coda Octopus Group, Inc.**

The Company, founded in 1994, manufactures and markets patented real-time 3D subsea sonar technology, Echoscope<sup>®</sup>, which enables real-time 3D imaging and mapping in zero visibility conditions underwater, and is used globally in numerous applications including defense, marine construction, oil and gas subsea infrastructure installation and surveys, and port and harbor security. For further information, please visit <http://www.codaoctopusgroup.com> or contact us at: [coda@codaoctopusgroup.com](mailto:coda@codaoctopusgroup.com).

### **Forward Looking Statement**

This press release contains forward-looking statements concerning Coda Octopus Group, Inc. within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include, without limitation, statements regarding the Company’s expectations for the growth of the Company’s operations and revenue. Such statements are subject to certain risks and uncertainties, and actual circumstances, events or results may differ materially from those projected in such forward-looking statements. Factors that could cause or contribute to differences include, but are not limited to, customer demand for our products and market prices; the outcome of our ongoing research and development efforts relating to our products including our patented real time 3D solutions; our ability to

develop the sales force required to achieve our development and other examples of forward looking statement set forth in our Annual Report on Form 10-K for the year ended October 31, 2017, filed with the Securities and Exchange Commission on January 30, 2018 . Coda Octopus Group, Inc. does not undertake, and specifically disclaims any obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur.

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