

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 2018

OR

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

COMMISSION FILE NUMBER: 333-04066

GEOSPATIAL CORPORATION

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

870554463
(I.R.S. Employer
Identification No.)

229 Howes Run Road, Sarver, PA 16055
(Address of principal executive offices)

(724) 353-3400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting Company
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

Aggregate market value of voting common stock held by non-affiliates of the registrant at June 30, 2018: \$3,556,643. For purposes of this calculation, executive officers, directors, and persons holding in excess of 5% of the outstanding shares of common stock are considered affiliates.

Number of shares of common stock outstanding as of April 15, 2018: 346,743,784.

Documents incorporated by reference: None.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

The statements set forth under the captions “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Result of Operations,” and “Business,” and other statements included elsewhere in this Annual Report and Form 10-K, which are not historical, constitute “Forward-Looking Statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder, including statements regarding the expectations, beliefs, intentions or strategies for the future. When used in this report, the terms “anticipate,” “believe,” “estimate,” “expect” and “intend” and words or phrases of similar import, as they relate to our business or our subsidiaries or our management, are intended to identify Forward-Looking Statements. These Forward-Looking Statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance. Forward-Looking Statements are subject to many risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements.

Because our common stock is considered to be a “penny stock”, the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to such Forward-Looking Statements.

Our business involves various risks, including, but not limited to, our ability to implement our business strategies as planned in a timely manner or at all; our lack of operating history; our ability to protect our proprietary technologies; our ability to obtain financing sufficient to meet our capital needs; and our inability to use historical financial data to evaluate our financial performance. See “Risk Factors” beginning on page 8.

Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed or implied in any Forward-Looking Statements made by us or on our behalf, you should not place undue reliance on any Forward-Looking Statement. Further, any Forward-Looking Statement speaks only as of the date on which it is made, and we undertake no obligations to update any Forward-Looking Statement to reflect events or circumstances after the date on which the statement is

made or to reflect the occurrence of future events or developments. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any Forward-Looking Statements.

PART I

As used in this Report and unless otherwise indicated, the terms “we,” “us,” “our,” or the “Company” refer to Geospatial Corporation and our subsidiaries. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Item 1. Business

Company Overview

The Company was incorporated on December 26, 1995 in the state of Nevada as Kayenta Kreations, Inc. In connection with a merger in 2008, the Company changed its name to Geospatial Holdings, Inc., and in 2013, changed its name to Geospatial Corporation (“we” or the “Company”). The Company has one wholly-owned subsidiary, Geospatial Mapping Systems, Inc., which serves as the Company’s operating unit. Our corporate headquarters are located in Sarver, Pennsylvania at 229 Howes Run Road.

General Description of the Business

We are a Pennsylvania based technology company. Our core business is the provision of proven cloud-based geospatial solutions to accurately locate and digitally map in three dimensions (“3D”) underground pipelines and other infrastructure. We compete in the software industry within the cloud-

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based infrastructure mapping industry. Our professional staff offers the expertise, ability and technologies required to design and execute innovative, challenging solutions that push the Company to the forefront of the cloud-based infrastructure mapping industry. Geospatial Corporation is steadfastly committed to our mission – “To provide our clients with an unparalleled 3D understanding of the world’s underground infrastructure”.

We carefully listen to each client’s precise needs and provide unique and innovative technological solutions to locate, map and manage our clients’ critical infrastructure data. Our clear communication and time-tested technical expertise enable us to think outside the box as we provide underground infrastructure mapping solutions to benefit our clients and the community.

We provide two types of services to our clients, data acquisition and data management. Data acquisition entails utilizing various technologies to accurately locate the exact position and depth of underground pipelines and conduits along with information on existing aboveground infrastructure. We provide data management services in which we securely manage this critical infrastructure data through the licensing of our cloud-based GeoUnderground Geographic Information System (“GIS”) software.

Product Development and Introduction

The GIS technology and mapping industry is characterized by rapid technological change in computer hardware, operating systems and software. In addition, consumers’ requirements and preferences rapidly evolve, as do their expectations of the performance of their software and the accuracy of the collected data managed by their software. To keep pace with these changes, we maintain a vigorous program of new product development to address demands in the marketplace for our products. Just as the transition from mainframes to personal computers transformed the industry thirty years ago, we believe our industry is undergoing a similar transition from the personal computer to cloud, social and mobile information management and sharing.

We have dedicated considerable technical and financial resources to research and development to further enhance our existing products and to create new software products and data acquisition technologies. Our software is primarily developed internally. However, we also use independent firms or contractors to perform some of our product development activities.

Sales and Marketing Efforts

Along with GeoUnderground, we now provide a cloud-based infrastructure management solution to our clients, which include utilities, municipalities, government agencies, and other facilities. Over the past few years, due to financial constraints, the majority of our sales have resulted from word-of-mouth referrals. We have not had a formal marketing or sales program over the past five years.

We hope to establish Regional Technical Sales Managers (“RTSMs”) in various sales regions across the United States, Canada, the Middle East, and Australia. Each RTSM will be responsible for developing and implementing a sales program which meets our specific targets. As business is developed in each sales region, we expect field technicians to be assigned to work under each RTSM to assist the RTSM in performing pipeline mapping services.

We would like to engage in direct-sale marketing efforts, whereby we will require that each of our RTSMs establish relationships and schedule webinar meetings with GIS and utilities managers, engineering companies, major utility companies and major utility contractors within each of their respective sales regions in order to demonstrate our data acquisition technologies, GeoUnderground, and its associated benefits. We also intend to demonstrate the use and functionality of GeoUnderground at numerous national and regional trade shows sponsored by related industry groups. In addition, we will expect each RTSM to generate sales leads through social media and webinars.

Financing

From January 1, 2017 through December 31, 2018, we raised approximately \$1.1 million in cash through the private sale of our common stock and exercises of warrants to purchase common stock. In addition, during that period we issued common stock for services totaling approximately \$334,000. We

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intend to continue to sell our common stock in private transactions to fund our general working capital needs.

Intellectual Property and Licenses

We maintain a program to legally protect our investment in technology through a combination of copyright, trademark and trade secret protections, confidentiality procedures and contractual provisions. The nature and extent of legal protection associated with each such intellectual property right depends on, among other things, the type of intellectual property right and the given jurisdiction in which such right arises. We believe our intellectual property rights are valuable and important to our business.

Nonetheless, our intellectual property rights may not be successfully asserted in the future or may be invalidated, circumvented or challenged. Enforcement of intellectual property rights against alleged infringers can sometimes lead to costly litigation and counterclaims. Our inability to protect our proprietary information could harm our business. We retain ownership of all software we develop.

We believe that because of the limitations of laws protecting our intellectual property and the rapid, ongoing technological changes in data collection and GIS software industries, we must rely principally upon data acquisition enhancements, GIS software engineering and marketing skills to maintain and enhance our competitive market position.

Customers

To date, we have successfully completed approximately 285 projects for a varied group of clients including contractors, municipalities, government agencies, utilities, telecoms, and engineering companies.

Government Contracts

We expect that some of our contracts will be with federal and state government entities. These contracts may be subject to various procurement laws and regulations. If we do not comply with these laws and regulations, we may be prohibited from completing our existing government contracts or suspended from government contracting and subcontracting for some period of time. In addition, through our government contracts, we are subject to routine U.S. federal, state and local government audits. If audit findings are unfavorable, we could experience a reduction in our profitability. We are subject to audits for several years after payments for services have been received. Based on these audits, government entities may adjust or seek reimbursement for previously paid amounts.

Competition

The markets for our products and services are highly competitive and subject to rapid change. We strive to increase our competitive standing by investing in research and development, allowing us to enhance our software and data collection capabilities. We also compete by investing in marketing and sales to more effectively reach new and existing customers.

Our business is highly competitive with respect to pipeline asset management services. While we believe that our proprietary technologies provide advantages to our clients, we will compete with numerous public and private engineering firms that provide some or all of the services that we provide. Our competitors range from large national and international firms, such as Parsons Brinkerhoff Inc., CH2M Hill Companies, PBS&J, Tetra Tech, Dycom Industries, Inc., Consolidated Utility Services, Inc., URS Corporation and CDM, to a vast number of smaller, more localized firms.

The software industry has limited barriers to entry, and the availability of computing power with continually expanding performance at progressively lower prices contributes to the ease of market entry. The GIS industry is presently undergoing a platform shift from the personal computer to cloud and mobile computing. This shift lowers the barriers to entry and poses a disruptive challenge to established GIS software companies. In addition, some of our competitors in certain markets have greater financial, technical, sales and marketing and other resources than we do. Because of these and other factors, competitive conditions in our industry are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which could harm our business.

We believe that the principal competitive factors (in the order of importance) in the areas of services we offer are: (i) quality of available technologies and software, (ii) quality of service, (iii) reputation, (iv) experience, (v) technical proficiency, (vi) local geographic presence, and (vii) cost of service. We believe that we are well positioned to compete effectively by emphasizing the quality and proprietary nature of our technologies and the quality of services that we offer. We are also dependent upon the availability of staff and our ability to recruit qualified management professionals and technicians. A shortage of qualified technical professionals currently exists in the engineering/GIS industry in the United States.

Seasonality

It is possible that our contract revenue and income from operations may be slightly lower for our first fiscal quarter than for the remaining quarters due to the effect of winter weather conditions, particularly in the Mid-Atlantic and Midwest regions of the United States. Our GIS/data management activities should not be as directly impacted by seasonal weather conditions.

Personnel

We believe that our success will greatly depend on our ability to identify, attract and retain capable employees. As of April 8, 2018, we had seven employees, all of whom are full-time employees. We believe that our relations with these employees are good. None of our employees are represented by a labor union or otherwise represented under a collective bargaining agreement.

Environmental Compliance

As our services are applicable to a large number of pipeline industry segments, we will be working, in many cases, in and around environmentally-sensitive areas, and with pipeline materials that may require specific environmental training and strict environmental procedures and guidelines. Failure to comply with these federal, state, or local environmental regulations could result in substantial penalties or fines. We have not incurred any material costs of environmental regulations during 2018 or 2017.

The enactment of various federal, state, and local environmental regulations, and variations in federal, state, and local funding for environmental compliance and enforcement of these regulations may have an effect on the capital expenditures of our clients, and thus may affect our ability to generate revenue.

Description of Property

Our headquarters office is located in Sarver, Pennsylvania at 229 Howes Run Road. This building, which we lease from Mark A. Smith, the Company's Chairman/CEO, has approximately 3,200 square feet of office space and is used by our corporate and operations staff. This property is rented under a month-to-month lease at \$6,500 per month. Mr. Smith agreed to suspend collection of rent effective April 1, 2016.

We believe that the Company's existing facilities are adequate to meet its business needs for the foreseeable future.

Legal Proceedings

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. We believe that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or the results of operations of the Company.

Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

Item 1B. Unresolved Staff Comments

Smaller reporting companies are not required to provide the information required by this item.

Item 2. Properties

The Company's headquarters and operations are located in Sarver, Pennsylvania in an office located at 229 Howes Run Road. This building, which we lease from the Mark A. Smith, the Company's Chairman/CEO, has approximately 3,200 square feet of office space and is used by our corporate and engineering/operations staff. Monthly rent under this lease is \$6,500 per month, and is on a month-to-month basis. Mr. Smith agreed to suspend collection of rent due under the lease effective April 1, 2016. Because no rent is accruing during the suspension, we are not in default of the lease. We believe that our existing facilities are adequate to meet our business needs for the foreseeable future.

Item 3. Legal Proceedings

The Company is not a party to any material pending legal proceedings. No such action is contemplated by the Company nor, to the best of its knowledge, has any action been threatened against the Company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is not listed on any national securities exchange or any national market system. Trading of our common stock is currently conducted on the OTCQB under the symbol "GSPH".

The following sets forth high and low bid price quotations for each calendar quarter during the last two fiscal years that trading occurred or quotations were available. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter Ended	High	Low
March 31, 2017	\$ 0.03	\$ 0.02
June 30, 2017	\$ 0.05	\$ 0.03
September 30, 2017	\$ 0.03	\$ 0.03
December 31, 2017	\$ 0.03	\$ 0.02
March 31, 2018	\$ 0.03	\$ 0.02
June 30, 2018	\$ 0.03	\$ 0.02
September 30, 2018	\$ 0.03	\$ 0.02
December 31, 2018	\$ 0.02	\$ 0.01

Number of Shareholders

As of April 15, 2018, there were approximately 225 holders of record of the Company's common stock.

Dividends

The Company has not paid any cash dividends on its common equity in the last two fiscal years, and does not plan to do so as any earnings generated from future operations will be used to finance our operations. The only restrictions that limit the ability to pay dividends on common equity are those restrictions imposed by law. Under Nevada corporate law, no dividends or other distributions may be made which would render the Company insolvent or reduce assets to less than the sum of its liabilities plus the amount needed to satisfy any outstanding liquidation preferences.

Securities Authorized for Issuance Under Equity Compensation Plans

(a)	(b)	(c)
Number of securities		Number of securities remaining available for future issuance under equity

Plan category	to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	16,662,500	\$ 0.08	8,537,500
Equity compensation plans not approved by security holders	112,000,000	0.03	-
Total	<u>128,662,500</u>	<u>\$ 0.04</u>	<u>8,537,500</u>

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Recent Sales of Unregistered Securities

On November 2, 2018, the Company issued 1,666,666 shares of the Company's common stock at a price of \$0.015 per share, and issued warrants to purchase 1,000,000 shares of common stock at an exercise price of \$0.02 per share, for an aggregate sales price of \$25,000. The sale took place in a private placement transaction pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act and/or Regulation D. The purchaser is an accredited investor, and the Company issued the shares of common stock without any general solicitation or advertisement, and with a restriction on resale.

Between November 8, 2018 and April 1, 2019, the Company sold 25,333,333 shares of its common stock at a price of \$0.015 per share and issued warrants to purchase 2,533,333 shares of common stock at an exercise price of \$0.04, to six investors, for an aggregate sales price of \$380,000. The sales took place in a series of private placement transactions pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act and/or Regulation D. The purchasers are accredited investors, and the Company conducted the private placements without any general solicitation or advertisement, and with a restriction on resale.

The recipients of the securities in each of these transactions described above represented their intentions to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with our financial statements and the related notes thereto appearing elsewhere in this report.

Some of the information contained in this MD&A or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes Forward-Looking Statements that involve risks and uncertainties. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" above.

Overview

We are a Pennsylvania-based technology company. We provide cloud-based geospatial solutions to accurately locate and digitally map underground pipelines and other infrastructure in 3D. Our professional staff offers the expertise, ability, and technologies required to design and execute solutions that are delivered in a cloud-based GIS (geographic information system) platform.

We believe that the market for aggregating and maintaining positional data for underground assets is maturing, and that business and governmental entities are beginning to understand the value of such data. We believe that this developing market presents us with an opportunity to deliver long-term value to our shareholders. In order to realize that value, our primary challenge is to raise working capital sufficient to operate our business, and investment capital to hire employees, acquire assets, and expand our business. Management is currently focused on raising capital, and planning to position our business to capitalize on the maturing market for positional data once such capital is in place, including identifying new technologies for aggregating positional data, developing our GeoUnderground software, and planning the strategies and processes for our upcoming marketing campaigns. We use financial and non-financial

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performance indicators to assess our business, including liquidity measures, revenues, gross margins, operating revenue, and backlog.

Recent Developments

In 2019, we sold approximately 21.7 million shares of common stock for a net consideration of \$325,000. We also issued a \$100,000 promissory note to Mr. Truitt for cash (the "2019 Truitt Note").

Liquidity and Capital Resources

At December 31, 2018, we had current assets of \$203,694, and current liabilities of \$3,641,311.

Our Company has incurred net losses since inception. Our operations and capital requirements have been funded by sales of our common and preferred stock, advances from our chief executive officer, and issuance of notes payable. At December 31, 2018, current liabilities exceeded current assets by \$3,437,617, and total liabilities exceeded total assets by \$3,435,325. Those factors raise doubts about our ability to continue as a going concern.

On April 2, 2015, we entered into a Note and Warrant Purchase Agreement with David M. Truitt,

pursuant to which Mr. Truitt loaned us \$1,000,000 pursuant to a Secured Note Payable (as amended, the "Truitt Note") that is secured by substantially all of the Company's assets, and is convertible at the holder's option to shares of the Company's common stock at a discount to our trading value. The Truitt Note was originally due on October 2, 2015. On January 26, 2016, we entered into an Agreement and Amendment with Mr. Truitt (the "January 2016 Amendment"), pursuant to which Mr. Truitt loaned us an additional \$250,000, and extended the due date of the Truitt Note to July 31, 2016. We also issued Mr. Truitt warrants to purchase 25.0 million shares of our common stock in connection with the January 2016 Amendment. On August 12, 2016, we entered into an Agreement and Amendment with Mr. Truitt (the "August 2016 Amendment"), pursuant to which Mr. Truitt agreed to extend the maturity date of the Truitt Note to January 31, 2017, in consideration for the Company issuing to Mr. Truitt warrants to purchase 12.0 million shares of the Company's common stock. On November 9, 2016, we made a payment of \$200,000 of the balance of the Truitt Note. On December 14, 2016, we entered into a Note and Warrant Purchase Agreement (together with the Truitt Note, as amended, the "Truitt Notes") with Mr. Truitt, pursuant to which Mr. Truitt loaned the Company an additional \$100,000 subject to the terms of the Truitt Note, and the Company issued to Mr. Truitt warrants to purchase 100,000 shares of the Company's common stock. On August 31, 2017, we entered into an Agreement and Amendment with Mr. Truitt (the "August 2017 Amendment") pursuant to which (i) the maturity date of the Truitt Notes were extended to June 1, 2018; (ii) the price at which the Truitt Notes are convertible to shares of the Company's common stock was amended to institute a floor of \$0.02 per share; (iii) the interest rate on the Truitt Notes were amended to 15% per annum effective upon the execution of the August 2017 Amendment; (iv) the events of default under the Truitt Notes were waived; and (v) the Company delivered to Mr. Truitt a warrant to purchase 20.0 million shares of the Company's common stock at a price of \$0.01 per share. On June 15, 2018, we entered into an Agreement to Amend Notes and Security Agreements with Mr. Truitt, pursuant to which (i) the due dates on the Truitt Notes were extended to September 15, 2018; (ii) the event of default of June 1, 2018 was waived; (iii) the Company agreed to use a portion of newly-raised capital to repay a portion of the Truitt Notes; (iv) the governing law, jurisdiction, and venue of the Truitt Notes was changed to Fairfax County, Virginia; and (v) increase the interest rate to 20% effective June 1, 2018. We currently do not have the ability to pay the Truitt Notes.

In 2017, we sold approximately 28.3 million shares of common stock for \$625,000. We received \$38,000 for exercises of warrants to purchase 4.4 million shares of common stock, and we issued approximately 8.8 million shares of common stock in consideration for services with a fair value of approximately \$226,000.

During 2018, we sold approximately 22.1 million shares of common stock for a net consideration of \$326,000, and received \$100,000 for the exercise of warrants to purchase 10.0 million shares of common stock. In addition, we issued approximately 7.2 million shares of stock for services with a fair value of \$107,700, and converted approximately \$176,000 of liabilities to notes payable. We also issued \$200,000 of unsecured convertible promissory notes.

In 2019 through April 8, we sold approximately 21.7 million shares of common stock for a net consideration of \$325,000. We also issued a \$100,000 promissory note to Mr. Truitt for cash (the "2019 Truitt Note"). The 2019 Truitt Note requires us to remit 50% of our collections on accounts receivable to Mr. Truitt until the 2019 Truitt Note and accrued interest are paid in full, and thereafter requires us to remit 25% of our collections on accounts receivable until the Truitt Notes are paid in full.

Management is continuing its efforts to secure funding sufficient for the Company's operating and capital requirements through private sales of common stock, and to negotiate settlements or extensions of existing liabilities. The proceeds of such sales of stock, if any, will be used to repay the Truitt Notes and to fund general working capital needs.

In recent years, we changed the focus of our company to position us to generate revenue from both data acquisition and data management. We expanded our service offerings to provide data acquisition services utilizing several technologies. We developed new, cloud-based mapping software to be marketed under our existing name GeoUnderground that replaces our previous version of GeoUnderground. We currently utilize GeoUnderground to deliver data to customers. We began to offer GeoUnderground to customers on a test basis during 2018, and intend to begin to offer GeoUnderground as a subscription-based stand-alone product in 2019. We believe that our changes to our operating focus will enable us to begin to generate significant revenue from operations.

We believe that our actions and planned actions will enable us to finance our operations beyond the next twelve months.

We do not believe that inflation and changing prices will have a material impact on our net sales and revenues, or on income from continuing operations.

Results of Operations for the Years Ended December 31, 2018 and 2017

Sales were \$866,212 for the year ended December 31, 2018, compared to \$686,815 for the year ended December 31, 2017. Cost of sales was \$219,348 for the year ended December 31, 2018, compared to \$220,491 for the year ended December 31, 2017. Our sales fluctuated throughout 2018 and 2017 as our ability to market and perform jobs was hampered by our financial condition. We expect sales and cost of sales to continue to fluctuate as our business continues to mature.

SG&A expenses were \$1,449,540 for the year ended December 31, 2018, compared to \$1,895,526 for the year ended December 31, 2017. The decrease in SG&A costs for the year ended December 31, 2018 compared to the year ended December 31, 2017 was due to a decrease in payroll expenses due to a reduction in staffing, a decrease in investor relations fees due to budget constraints, and a decrease in insurance due to a reduction in coverage.

Other income and expense for the year ended December 31, 2018 was a net expense of \$404,706, which included interest expense of \$401,549, other income of \$1,711, loss on disposal of assets of \$1,856, and loss on foreign currency exchange of \$3,012. Other income and expense for the year ended December 31, 2017 was a net income of \$129,116, which included interest expense of \$349,798, gains on extinguishment of debt of \$47,852, income related to registration payment arrangements of \$432,578, and a loss on foreign currency exchange of \$1,516. The increase in interest expense in 2018 was due to increased interest on the Truitt Note in 2018 due to a larger outstanding balance. The gains on extinguishment of debt resulted from settlement agreements on prior liabilities and reduction of prior accounts payable that have extended beyond the statute of limitations.

Gains and losses related to registration payment arrangements result from a series of Stock Subscription Agreements we entered into in 2009 and 2010 (the "Stock Subscription Agreements"). We were required to register the shares of common stock sold pursuant to the Stock Subscription Agreements under the Securities Act. Our failure to register the shares of common stock under the Securities Act resulted in our obligation to issue additional shares ("Penalty Shares") to investors who purchased shares pursuant to

the Stock Subscription Agreements. We recorded a liability on our books for the value of the estimated number of Penalty Shares to be issued. We incur losses on our registration payment arrangements when the estimated number of Penalty Shares to be issued increases, or when the value of our stock increases. We record gains on our registration payment arrangements when the estimated number of Penalty Shares to be issued decreases, or when the value of our stock decreases. We did not record any

gains or losses related to registration payment arrangements during 2018. We recorded a gain related to registration payment arrangements of \$432,578 in 2017, which resulted from a decrease in the estimated value of our stock due to a decrease in stock price. We expect that gains or losses related to registration payment arrangements will fluctuate as the price of our stock and the estimate of the number of Penalty Shares to be granted fluctuate.

We had no net benefit from income taxes, as our deferred tax benefit was completely offset by a valuation allowance due to the uncertainty of realization of the benefit.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2018.

Application of Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions which, in our opinion, are significant to the underlying amounts included in the financial statements and for which it would be reasonably possible that future events or information could change those estimates include:

Registration Payment Arrangements. We are contractually obligated to issue shares of our common stock to certain investors for failure to register their shares of our common stock under the Securities Act. We have recorded a liability for the estimated number of shares to be issued at the fair value of the stock to be issued. We review on a quarterly basis our estimate of the number of shares to be issued and the fair value of the stock to be issued.

Realization of Deferred Income Tax Assets. We provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between financial reporting and tax accounting methods and any available operating loss or tax credit carryovers. At December 31, 2018, we had a deferred tax asset resulting principally from our net operating loss deduction carryforward available for tax purposes in future years. This deferred tax asset is completely offset by a valuation allowance due to the uncertainty of realization. We evaluate the necessity of the valuation allowance quarterly.

Estimated Costs to Complete Fixed-Price Contracts. We record revenues for fixed-price contracts under the percentage-of-completion method of accounting, whereby revenues are recognized ratably as those contracts are completed. This rate is based primarily on the proportion of contract costs incurred to date to total contract costs projected to be incurred for the entire project, or the proportion of measurable output completed to date to total output anticipated for the entire project. We review our estimates of costs to complete each contract quarterly, and make adjustments if necessary. At December 31, 2018, we do not believe that material changes to contract cost estimates at completion for any of our open contracts are reasonably likely to occur.

Revenue Recognition

The Company records revenue in accordance with ASC 606, Revenue from Contracts With Customers (“ASC 606”). The Company applies the following methodology to recognize revenue:

- i. Identify the contract with a customer.
- ii. Identify the performance obligations in the contract.
- iii. Determine the transaction price.
- iv. Allocate the transaction price to the performance obligations in the contract.
- v. Recognize revenue when the Company satisfies a performance obligation.

Advance customer payments are recorded as deferred revenue until such time as the related performance obligations are met.

Revenues are recorded net of sales taxes collected.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies that are adopted by us as of the specified effective date. The Company has reviewed accounting pronouncements and interpretations thereof that have effective dates during the periods reported and in future periods. The Company believes that the following impending standards may have an impact on its future filings. The applicability of any standard will be evaluated by the Company and is still subject to review by the Company.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), a new revenue recognition standard that supersedes the existing standard and eliminates all industry-specific standards. The largely principles-based standard provides a comprehensive framework that can be applied to all contracts with customers, regardless of industry-specific or transaction-specific fact patterns. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities should apply the five-step model outlined in the standard to achieve that core principal. The Company adopted ASU 2014-09 on January 1, 2017. The adoption of ASU 2014-09 did not have a material impact on the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), which provides authoritative guidance regarding management’s evaluation of conditions or events that raise substantial doubts about an entity’s ability to continue as a going concern, management’s plans to mitigate the effect of the conditions or events that raise such doubts, and disclosure requirements for entities in which there exists a substantial doubt about the entity’s ability to continue as a

going concern. ASU 2014-15 was implemented by the Company on January 1, 2017. The implementation of ASU 2014-15 did not have a material effect on its consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of an extraordinary item from GAAP. As a result, an entity is no longer required to separately classify, present, or disclose extraordinary events and transactions; however, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained. ASU 2015-01 was adopted by the Company in 2017. The implementation of ASU 2015-01 did not have a material effect on the Company's financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented as a direct deduction from the associated debt liability on the balance sheet. The Company adopted ASU 2015-03 in 2017. The implementation of ASU 2015-03 did not have a material effect on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. ASU 2015-17 eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, ASU 2015-17 requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The Company adopted ASU 2015-17 on January 1, 2018. The implementation of ASU 2015-17 did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ASU 2016-02 substantially retains the classification for leasing transactions as finance or operating leases. The new guidance establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total lease expense. ASU 2016-02 will be effective for the Company on January 1, 2019. The Company does not expect that the

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implementation of ASU 2016-02 will have a material effect on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

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Item 8. Financial Statements and Supplemental Data

GEOSPATIAL CORPORATION INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Image

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Geospatial Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Geospatial Corporation (a Nevada corporation) as of , and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years then ended. In our opinion, these financial statements present fairly, in all material respects, the financial position of Geospatial Corporation as of , and the results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has incurred net losses since inception, operations and capital requirements since inception have been funded by sales of stock, short and long term loans and

advances from its chief executive officer and current liabilities exceed current assets by \$2,850,971. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to Geospatial Corporation in accordance with the U.S. federal securities laws and applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2009.



Goff Backa Alfera and Company, LLC
Pittsburgh, Pennsylvania
April 16, 2019



**Geospatial Corporation and Subsidiaries
Consolidated Balance Sheets**

ASSETS	
Current assets:	
Cash and cash equivalents	
Accounts receivable	
Prepaid expenses and other current assets	
Total current assets	
Property and equipment:	
Field equipment	
Field vehicles	
Total property and equipment	
Less: accumulated depreciation	
Net property and equipment	
Total assets	
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	
Accrued expenses	
Notes payable	
Accrued registration payment arrangement	
Total current liabilities	
Stockholders' deficit:	
Preferred stock:	
Undesignated, \$0.001 par value; 20,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at December 31, 2018 and	
Series B Convertible Preferred Stock, \$0.001 par value; 5,000,000 shares authorized at December 31, 2017 and 2016; no shares issued and outstanding at	
Series C Convertible Preferred Stock, \$0.001 par value; 10,000,000 shares authorized at December 31, 2018 and December 31, 2017; 3,644,578 shares issued and	
Common stock, \$0.001 par value; 750,000,000 shares authorized at December 31, 2018 and 2017; 325,077,118 and 285,830,452 shares issued and outstanding	
Additional paid-in capital	
Additional paid-in capital, warrants	
Accumulated deficit	
Total stockholders' deficit	
Total liabilities and stockholders' deficit	

Geospatial Corporation and Subsidiaries
Consolidated Statements of Operations

	For the Years Ended December 31,	
	2018	2017
Sales	\$ 866,212	\$ 686,815
Cost of sales	219,348	220,491
Gross profit	646,864	466,324
Selling, general and administrative expenses	1,449,540	1,895,526
Net loss from operations	(802,676)	(1,429,202)
Other income (expense):		
Interest expense	(401,549)	(349,798)
Gain on extinguishment of debt	-	47,852
Other income	1,711	-
Loss on disposal of property and equipment	(1,856)	-
Registration payment arrangements	-	432,578
Loss on foreign currency exchange	(3,012)	(1,516)
Total other income (expense)	(404,706)	129,116
Net loss before income taxes	(1,207,382)	(1,300,086)
Provision for income taxes	-	-
Net loss	<u>\$ (1,207,382)</u>	<u>\$ (1,300,086)</u>
Basic and fully-diluted net loss per share of common stock	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Geospatial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2018 and 2017

	Preferred Stock		Common Stock		Additional	Addition:
	Shares	Amount	Shares	Amount	Paid-In Capital	Paid-In Capital, Warrant
Balance, December 31, 2016	4,543,654	\$ 4,544	226,211,740	\$ 226,212	\$ 38,905,332	\$ 20,600
Sale of common stock, net of issuance costs	-	-	28,333,335	28,333	596,667	
Exercise of warrants to purchase common stock	-	-	4,421,857	4,422	54,204	(20,600)
Issuance of convertible securities with beneficial conversion features	-	-	-	-	50,152	
Issuance of common stock for registration penalty	-	-	132,000	132	13,068	
Conversion of Series C Convertible Preferred Stock to common stock	(899,076)	(899)	17,981,520	17,981	(17,082)	
Issuance of common stock for services	-	-	8,750,000	8,750	217,500	
Issuance of warrants to purchase common stock for loan concessions	-	-	-	-	-	170,000
Net loss for the year ended						
December 31, 2017	-	-	-	-	-	
Balance, December 31, 2017	3,644,578	3,645	285,830,452	285,830	39,819,841	170,000
Sale of common stock, net of issuance costs	-	-	-	-	-	

costs	-	-	22,066,666	22,067	291,770	12,10
Issuance of common stock for services	-	-	7,180,000	7,180	100,520	
Exercise of warrants to purchase common stock	-	-	10,000,000	10,000	175,000	(85,00)
Issuance of convertible securities with beneficial conversion features	-	-	-	-	51,052	
Issuance of warrants to purchase common stock pursuant to issuance of notes payable	-	-	-	-	-	25,80
Net loss for the years ended December 31, 2018	-	-	-	-	-	
Balance, December 31, 2018	3,644,578	\$ 3,645	325,077,118	\$ 325,077	\$ 40,438,183	\$ 122,90

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

**Geospatial Corporation and Subsidiaries
Consolidated Statements of Cash Flows**

	For the Years Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (1,207,382)	\$ (1,300,086)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	8,328	34,784
Loss on disposal of property and equipment	1,856	-
Amortization of deferred debt issue costs	120,106	75,693
Amortization of discount on notes payable	51,051	65,969
Gain on extinguishment of debt	-	(47,852)
Accrued registration payment arrangement	-	(432,578)
Accrued interest payable	228,760	201,005
Issuance of common stock for services	107,700	226,250
Changes in operating assets and liabilities:		
Accounts receivable	(23,513)	(26,600)
Prepaid expenses and other current assets	11,417	48,024
Accounts payable	(50,029)	31,837
Accrued expenses	267,012	459,931
Net cash used in operating activities	(484,694)	(663,623)
Cash flows from investing activities:		
Purchase of property and equipment	-	(2,521)
Net cash used in investing activities	-	(2,521)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	200,000	-
Principal payments on notes payable	(142,546)	(52,213)
Principal payments on capital lease liabilities	-	(3,278)
Proceeds from sale of common stock, net of offering costs	326,000	625,000
Proceeds from exercise of warrants to purchase common stock, net of offering costs	100,000	38,000
Net cash provided by financing activities	483,454	607,509
Net change in cash and cash equivalents	(1,240)	(58,635)
Cash and cash equivalents at beginning of period	8,357	66,992
Cash and cash equivalents at end of period	\$ 7,117	\$ 8,357
Supplemental disclosures:		
Cash paid during period for interest	\$ 1,790	\$ 7,131
Cash paid during period for income taxes	-	-
Non-cash transactions:		
Issuance of common stock in settlement of liabilities	175,653	-
Issuance of common stock for services	107,700	226,250
Issuance of notes payable in settlement of liabilities	-	51,227
Issuance of convertible securities with beneficial conversion features	51,051	50,152
Issuance of warrants to purchase common stock pursuant to issuance of notes payable	25,800	-

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

Geospatial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Geospatial Corporation, a Nevada corporation, and subsidiaries (the “Company”) is presented to assist in the understanding of the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company utilizes innovative technologies to acquire and manage data related to underground assets. The Company’s services include pipeline data acquisition and professional data management. The Company is located in Sarver, Pennsylvania, and provides services throughout the United States.

Consolidation

The Company’s financial statements include its wholly-owned subsidiaries Geospatial Mapping Systems, Inc., and Utility Services and Consulting Corporation, which ceased operations in 2011. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Estimates and assumptions which, in the opinion of management, are significant to the underlying amounts included in the financial statements and for which it would be reasonably possible that future events or information could change those estimates include:

- Estimated useful lives of property and equipment;
- Estimated costs to complete fixed-price contracts;
- Realization of deferred income tax assets;
- Estimated number and value of shares to be issued pursuant to registration payment arrangements;

These estimates are discussed further throughout these Notes to Financial Statements.

Going Concern

Since its inception, the Company has incurred net losses. In addition, the Company’s operations and capital requirements have been funded since its inception by sales of its common and preferred stock and advances from its chief executive officer. At December 31, 2018, the Company’s current liabilities exceeded its current assets by \$3,437,617, and total liabilities exceeded total assets by \$3,435,325. Those factors create an uncertainty about the Company’s ability to continue as a going concern. The Company’s management has implemented plans to secure financing sufficient for the Company’s operating and capital requirements, and to negotiate settlements or extensions of existing liabilities. There can be no assurance that such efforts will be successful. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Accounting Method

The Company’s financial statements are prepared on the accrual method of accounting.

Geospatial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Cash and Cash Equivalents

The Company considers all highly liquid debt investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable are presented in the balance sheet net of estimated uncollectible amounts. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company had no allowance for doubtful accounts at December 31, 2018 and 2017.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes, and accelerated methods for tax purposes, based on estimated useful lives ranging from three to ten years. Depreciation expense was \$8,328 and

Expenditures for major renewals and betterments that materially extend the useful lives of assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

The Company leases equipment under leases with terms of three years. Each lease is analyzed using the criteria in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 840, *Leases*, to determine whether the lease is a capital or operating lease. Capital leases are recorded at the inception of the lease as property and equipment, and a capital lease liability of the same amount, at the lesser of the fair value of the leased asset or the present value of the minimum lease payments. Assets recorded under capital lease agreements are depreciated over their estimated useful lives. Depreciation of assets recorded under capital leases is included with depreciation expense related to owned assets. The capital lease expired during 2017.

Revenue Recognition

The Company records revenue in accordance with ASC 606, *Revenue from Contracts With Customers* ("ASC 606"). The Company applies the following methodology to recognize revenue:

- i. Identify the contract with a customer.
- ii. Identify the performance obligations in the contract.
- iii. Determine the transaction price.
- iv. Allocate the transaction price to the performance obligations in the contract.
- v. Recognize revenue when the Company satisfies a performance obligation.

Advance customer payments are recorded as deferred revenue until such time as the related performance obligations are met.

Revenues are recorded net of sales taxes collected.

Deferred Debt Issuance Costs

Debt issuance costs are capitalized and amortized over the term of the related debt. The deferred debt issuance costs were fully amortized at December 31, 2018 and 2017.

**Geospatial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017**

Convertible Securities with Beneficial Conversion Features

During 2015, the Company issued a Secured Promissory Note of \$1,000,000. The Company took additional loans of \$350,000 against the Secured Promissory Note in 2016. The Secured Promissory Note is convertible at the lender's option to the Company's common stock at a price per share of 75% of the average bid price of the Company's common stock for the ten trading days preceding the conversion. The Company recorded the Secured Promissory Note in accordance with FASB ASC 470-20, *Debt with Conversion and Other Options*. The Company determined that the discount to market price on the conversion feature was a beneficial conversion feature, and that the intrinsic value of the conversion feature of loans taken and interest accrued during the years ended December 31, 2018 and 2017 was \$52,269 and \$50,152, respectively. These amounts were recognized as additional paid-in capital and as a discount on the Secured Promissory Note. Amortization of the discount on the Secured Promissory Note totaled \$52,269 and \$65,969 during the years ended December 31, 2018 and 2017, respectively.

Accounting for Derivatives

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value, and is revalued at each reporting date, with changes in the fair value reported in the statements of operations.

The Company has determined that the option to settle the Secured Promissory Note in shares of the Company's common stock is a derivative instrument. No additional liability was recorded for the derivative instrument. From the issuance of the Secured Promissory Note through August 31, 2017, a potentially unlimited number of shares could have been required to settle the Secured Promissory Note. On August 31, 2017, the Company and the lender entered into an Agreement and Amendment that instituted a floor on the conversion price, which limits the potential number of shares that could be required to settle the Secured Promissory Note.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryovers.

The Company currently has a deferred tax asset resulting from differences in accounting methods for financial reporting and income tax reporting purposes. This deferred tax asset is completely offset by a valuation allowance due to the uncertainty of realization.

The Company is subject to taxation in various jurisdictions. The Company continues to remain subject to examination by U.S. federal authorities and various state authorities for the years 2009 through 2017. Due to financial constraints, the Company has not filed its federal tax returns for 2009 through 2017.

Gains on Extinguishment of Debt

Due to significant cash flow problems, the Company has negotiated concessions on the amounts of certain

liabilities and extensions of payment terms. The Company accounts for such concessions in accordance with FASB ASC 470-60, *Troubled Debt Restructurings by Debtors*, and FASB ASC 405-20, *Extinguishment of Liabilities*, and recognizes gains the extent that the carrying value of the liability exceeds the fair value of the restructured payment plan. Such gains are included as “Gains on extinguishment of debt” in “other income and expenses” on the Company’s Consolidated Statement of Operations. In addition, the Company has accounts payable that has aged or is expected to age beyond the statute of limitations. The Company is amortizing those liabilities over the remaining term of the statute of

Geospatial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

limitations. Such amortization amounted to \$47,852 during the year ended December 31, 2017. There was no such amortization during the year ended December 31, 2018.

Stock-Based Payments

The Company accounts for its stock-based compensation in accordance with FASB ASC 718, *Stock Compensation*. The Company records compensation expense for employee stock options at the fair value of the stock options at the grant date, amortized over the vesting period. The Company records expense for stock options, warrants, and similar grants issued to non-employees at their fair value at the grant date, or the fair value of the consideration received, whichever is more readily available.

Registration Payment Arrangements

The Company is contractually obligated to issue shares of its common stock to certain investors for failure to register shares of its common stock under the Securities Act of 1933, as amended (the “Securities Act”). The Company records such obligations in accordance with FASB ASC 825-20, *Registration Payment Arrangements*. The Company has recorded a liability for the estimated number of shares to be issued at the fair value of the stock to be issued. The Company measures fair value by the price of its common stock at its most recent sale. The Company reviews its estimate of the number of shares to be issued and the fair value of the stock to be issued quarterly. The liability is included on the Consolidated Balance Sheet under the heading “accrued registration payment arrangement,” and amounted to \$76,337 at December 31, 2018 and 2017. Gains or losses resulting from changes in the carrying amount of the liability are included in the Consolidated Statement of Operations in other income and expense under the heading “registration payment arrangements” which amounted to gains of \$432,578 during the year ended December 31, 2017. There was no such gain or loss during the year ended December 31, 2018.

Segment Reporting

The Company operates as one segment. Accordingly, no segment reporting is presented.

Recent Accounting Pronouncements

The Company has reviewed accounting pronouncements and interpretations thereof that have effective dates during the periods reported and in future periods. The Company believes that the following impending standards may have an impact on its future filings. The applicability of any standard will be evaluated by the Company and is still subject to review by the Company.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), a new revenue recognition standard that supersedes the existing standard and eliminates all industry-specific standards. The largely principles-based standard provides a comprehensive framework that can be applied to all contracts with customers, regardless of industry-specific or transaction-specific fact patterns. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities should apply the five-step model outlined in the standard to achieve that core principal. The Company adopted ASU 2014-09 on January 1, 2017. The adoption of ASU 2014-09 did not have a material impact on the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), which provides authoritative guidance regarding management’s evaluation of conditions or events that raise substantial doubts about an entity’s ability to continue as a going concern, management’s plans to mitigate the effect of the conditions or events that raise such doubts, and disclosure requirements for entities in which there exists a substantial doubt about the entity’s ability to continue as a going concern. ASU 2014-15 was implemented by the Company on January 1, 2017. The implementation of ASU 2014-15 did not have a material effect on its consolidated financial statements.

Geospatial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of an extraordinary item from GAAP. As a result, an entity is no longer required to separately classify, present, or disclose extraordinary events and transactions; however, the presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained. ASU 2015-01 was adopted by the Company in 2017. The implementation of ASU 2015-01 did not have a material effect on the Company’s financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented as a direct deduction from the associated debt liability on the balance sheet. The Company adopted ASU 2015-03 in 2017. The implementation of ASU 2015-03 did not have a material effect on its consolidated financial

statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. ASU 2015-17 eliminates the current requirement for an entity to separate deferred income tax liabilities and assets into current and non-current amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, ASU 2015-17 requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The Company adopted ASU 2015-17 on January 1, 2018. The implementation of ASU 2015-17 did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ASU 2016-02 substantially retains the classification for leasing transactions as finance or operating leases. The new guidance establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total lease expense. ASU 2016-02 will be effective for the Company on January 1, 2019. The Company does not expect that the implementation of ASU 2016-02 will have a material effect on the Company's consolidated financial statements.

Note 2 – Capital Stock

The Company has authorized 750,000,000 shares of common stock with a par value of \$0.001 per share. Each outstanding share of common stock entitles the holder to one vote on all matters. Stockholders do not have preemptive rights to purchase shares in any future issuance of common stock. Upon the Company's liquidation, common stockholders are entitled to a pro-rata share of assets, if any, after payment of creditors and preferred stockholders.

The Company has authorized 25,000,000 shares of preferred stock with a par value of \$0.001 per share. All powers and rights of the shares of preferred stock are determined by the Company's Board of Directors at issuance.

On August 20, 2013, the Company filed a Certificate of Designation to designate 5,000,000 shares of Series B Convertible Preferred Stock ("Series B Stock") for issuance by the Company. Each share of Series B Stock is convertible to ten shares of common stock at the option of the holder, or automatically upon the occurrence of certain events. The holders of Series B Stock have the same voting rights and dividend participation rights as common stockholders in proportion to the number of shares of common stock the holders of Series B Stock would hold if those shares were converted to common stock. The holders of Series B Stock are entitled to a liquidation preference of 150% of the original issue price, after payment of which they participate in liquidation with the holders of common stock.

Geospatial Corporation and Subsidiaries Notes to Consolidated Financial Statements December 31, 2018 and 2017

On March 16, 2016, the Company filed a Certificate of Designation to designate 10,000,000 shares of Series C Convertible Preferred Stock ("Series C Stock") for issuance by the Company. Each share of Series C Stock is convertible to twenty shares of common stock at the option of the holder, or automatically upon the occurrence of certain events. The holders of Series C Stock have voting rights equal to five times the number of whole shares of common stock into which such shares of common stock the holders of Series C Stock would hold if those shares were converted to common stock. The holders of Series C Stock have the same dividend participation rights as common stockholders in proportion to the number of shares of common stock the holders of Series C Stock would have if those shares were converted to common stock. The holders of Series C Stock are entitled to a liquidation preference of 100% of the original issue price, after payment of which they participate in liquidation with the holders of common stock.

The Company entered into a series of Subscription and Purchase Agreements with certain investors dated October 9, 2009 (the "October 2009 Subscription Agreement") in connection with the sale of 2,000,000 shares of the Company's common stock (the "October 2009 shares"). Pursuant to the October 2009 Subscription Agreement, the Company agreed to register the October 2009 shares under the Securities Act by March 1, 2010. The Company failed to register the October 2009 shares by March 1, 2010, and consequently each investor that invested pursuant to the October 2009 Subscription Agreement is entitled to receive an additional allocation of 2% of its portion of the October 2009 Shares for each 30-day period that elapses after March 1, 2010, subject to certain restrictions.

The Company entered into a series of Subscription and Purchase Agreements with certain investors dated March 10, 2010 (the "March 2010 Subscription Agreement") in connection with the sale of 8,589,771 shares of the Company's common stock (the "March 2010 shares"). Pursuant to the March 2010 Subscription Agreement, the Company agreed to register the March 2010 shares under the Securities Act by September 1, 2010. The Company failed to register the March 2010 shares by September 1, 2010, and consequently each investor that invested pursuant to the March 2010 Subscription Agreement is entitled to receive an additional allocation of 2% of its portion of the March 2010 Shares for each 30-day period that elapses after September 1, 2010, subject to certain restrictions.

The Company entered into a series of Subscription and Purchase Agreements with certain investors dated April 6, 2010 (the "April 2010 Subscription Agreement") in connection with the sale of 112,000 shares of the Company's common stock (the "April 2010 shares"). Pursuant to the April 2010 Subscription Agreement, the Company agreed to register the April 2010 shares under the Securities Act by September 1, 2010. The Company failed to register the April 2010 shares by September 1, 2010, and consequently each investor that invested pursuant to the April 2010 Subscription Agreement is entitled to receive an additional allocation of 2% of its portion of the April 2010 Shares for each 30-day period that elapses after September 1, 2010, subject to certain restrictions.

The Company has recorded a liability for its obligation to issue shares for failure to register shares pursuant to the October 2009 Subscription Agreement, the March 2010 Subscription Agreement, and the

Geospatial Corporation and Subsidiaries
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Note 3 – Accrued Expenses

Accrued expenses consisted of the following:

	December 31, 2018	December 31, 2017
Payroll and taxes	\$ 1,170,091	\$ 1,067,197
Accounting	47,504	47,504
Contractors and subcontractors	5,300	10,227
Interest	2,918	2,243
Other	97,773	104,382
Accrued expenses	<u>\$ 1,323,586</u>	<u>\$ 1,231,553</u>

Note 4 – Related-Party Transactions

The Company leases its headquarters building from Mark A. Smith, the Company's chairman and chief executive officer. The building has approximately 3,200 square feet of office space, and is used by the Company's corporate, technical, and operations staff. The lease is cancellable by either party upon 30 days' notice. Mr. Smith has agreed to suspend collection of rent effective April 1, 2016. The Company did not incur lease expense during the years ended December 31, 2018 and 2017.

On November 9, 2012, the Company and Mr. Smith entered into a Lease Agreement, pursuant to which the Company leased a field vehicle from Mr. Smith. The lease was for 60 months, and was for substantially the same terms for which Mr. Smith leased the vehicle from the manufacturer. Interest on the lease amounted to \$48 for the year ended December 31, 2017. The lease was recorded as a capital lease. The lease expired during the year ended December 31, 2017.

Note 5 – Notes Payable

Current notes payable consisted of the following:

Secured Promissory Note, payable to an individual, bearing interest at 20% per annum, due September 15, 2018, net of discount and deferred issuance costs. T
Unsecured Convertible Promissory Notes, payable to two individuals, bearing interest at 15% per annum, net of deferred issuance costs. The notes are convert
Notes payable under settlement agreements with vendors, bearing no interest.
Notes payable under settlement agreements with former employees, payable monthly with terms of up to twelve months, bearing no interest
Current notes payable

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Note 6 – Commitments and Contingencies

Bank Deposits

The Company maintains its cash in bank deposit accounts at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The bank accounts at times exceed FDIC limits. The Company has not experienced any losses on such accounts.

Legal Matters

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. The Company believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or the results of operations of the Company.

Concentrations

The Company derived substantially all its revenues from a fewer than ten customers during each of the years ended December 31, 2018 and 2017.

Note 7 – Income Taxes

The Company's provision for (benefit from) income taxes is summarized below for the years ended December 31:

Current:		
Federal	\$ -	\$ -
State	-	-
	-	-
Deferred:		
Federal	(124,094)	4,790,403
State	(65,658)	(172,386)
	(189,752)	4,618,017
Total income taxes	(189,752)	4,618,017
Less: valuation allowance	189,752	(4,618,017)
Net income taxes	\$ -	\$ -

The reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows for the years ended December 31:

	2018	2017
Federal statutory rate	21.0 %	21.0 %
State income taxes (net of federal benefit)	7.9	7.9
Valuation allowance	(28.9)	(28.9)
Effective rate	<u>0.0 %</u>	<u>0.0 %</u>

Significant components of the Company's deferred tax assets and liabilities are summarized below. A valuation allowance has been established as realization of such assets has not met the more-likely-than-not threshold requirement under FASB ASC 740.

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	December 31, 2018	December 31, 2017
Start-up costs	\$ 5,565	\$ 12,413
Depreciation	(40,499)	(31,601)
Accrued expenses	274,885	248,882
Net operating loss carryforward	12,182,800	12,003,305
Deferred income taxes	12,422,751	12,232,999
Less: valuation allowance	(12,422,751)	(12,232,999)
Net deferred income taxes	\$ -	\$ -

At December 31, 2018, the Company had federal and state net operating loss carryforwards of approximately \$42,985,000. The federal and state net operating loss carryforwards will expire beginning in 2021. The amount of the federal and state net operating loss carryforwards that can be utilized each year to offset taxable income is limited by the Internal Revenue Code and applicable state laws.

Note 8 – Net Loss Per Share of Common Stock

Basic net loss per share are computed by dividing earnings available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share reflects per share amounts that would have resulted if dilutive potential common stock had been converted to common stock. Dilutive potential common shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all warrants and options are used to repurchase common stock at market value. The number of shares remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities.

The following reconciles amounts reported in the financial statements for the years ended December 31:

	2018	2017
Net loss	\$ (1,207,382)	\$ (1,300,086)
Weighted average number of shares of common stock outstanding	309,514,763	263,578,737
Dilutive potential shares of common stock	309,514,763	263,578,737
Net loss per share of common stock:		
Basic	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)

The following securities were not included in the computation of diluted net loss per share, as their effect would have been anti-dilutive for the years ended December 31:

	2018	2017
Series C Convertible Preferred Stock	74,891,560	74,862,138
Options and warrants to purchase common stock	6,850,000	26,679,355

Secured Convertible Promissory Note	82,694,275	38,641,107
Unsecured Convertible Promissory Notes	7,287,233	-
Total	<u>171,723,068</u>	<u>140,182,600</u>

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Note 9 – Stock-Based Payments

In 2007, the Company adopted the 2007 Stock Option Plan (the “2007 Plan”), pursuant to which the Compensation Committee of the Board of Directors (the “Committee”) may award grants of options to purchase up to 15,000,000 shares of the Company’s common stock to eligible employees, directors, and consultants, subject to exercise prices and vesting requirements determined by the Committee. On September 23, 2013, the Company reduced the number of shares of the Company’s common stock that may be subject to awards under the 2007 Plan to 9,050,000. The Board of Directors has reserved 9,050,000 shares of the Company’s common stock for issuance under the 2007 Plan. The Company did not grant any options to purchase shares of the Company’s common stock pursuant to the 2007 Plan during the years ended December 31, 2018 and 2017.

On September 23, 2013, the Company adopted the 2013 Equity Incentive Plan (the “2013 Plan”), pursuant to which up to 25,000,000 shares of the Company’s common stock shall be available for grants of awards, including incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, or performance compensation awards to eligible employees, consultants, and directors, provided that no more than 15,000,000 shares of common stock may be granted as incentive stock options. The Board of Directors has reserved 25,000,000 shares of the Company’s common stock for issuance under the 2013 Plan. The Company granted stock appreciation rights on 500,000 shares of the Company’s common stock to eligible employees and consultants pursuant to the 2013 Plan during the year ended December 31, 2017. The Company made no such grants during the year ended December 31, 2018.

During the year ended December 31, 2018, the Company granted options to purchase 112,000,000 shares of common stock to employees. The options have a term of three years, and are exercisable upon attainment of certain performance benchmarks.

Using the Black-Scholes option pricing model, management has determined that the stock appreciation rights granted in 2018 and 2017 had no value. Accordingly, no compensation cost or other expense was recorded for the stock appreciation rights.

The assumptions used and the weighted average calculated value of the stock options are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	2.65%	2.40%
Expected dividend yield	None	None
Expected life of options	3 years	5 years
Expected volatility rate	50%	50%
Weighted average fair value of options granted	\$ 0.00	\$ 0.00

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The following is an analysis of the options to purchase the Company’s common stock:

	Total	Weighted	Aggregate	Weighted
	Options	Average	Fair	Average
		Exercise	Value	Remaining
		Price	Value	Contractual
				Term
				(In Years)
Total options outstanding				
at January 1, 2017	31,112,500	\$ 0.21		
Granted	500,000	0.21		
Exercised	-	-		
Lapsed and forfeited	(9,300,000)	0.46		
Total options outstanding				
at December 31, 2017	<u>22,312,500</u>	\$ 0.09	\$ -	6.2
Options vested and expected				
to vest at December 31, 2017	<u>20,312,500</u>	\$ 0.09	\$ -	5.5
Options exercisable at				
December 31, 2017	<u>20,312,500</u>	\$ 0.09	\$ -	5.5
Total options outstanding				
at January 1, 2018	22,312,500	\$ 0.09		
Granted	112,000,000	0.03		
Exercised	-	-		
Lapsed and forfeited	(5,650,000)	0.14		

Total options outstanding at December 31, 2018	<u>128,662,500</u>	\$ 0.03	\$ -	2.7
Options vested and expected to vest at December 31, 2018	<u>16,662,500</u>	\$ 0.08	\$ -	4.8
Options exercisable at December 31, 2018	<u>16,662,500</u>	\$ 0.08	\$ -	4.8

The following is an analysis of nonvested options:

	Nonvested Options	Weighted Average Fair Value
Nonvested options at January 1, 2017	3,711,980	\$ -
Granted	500,000	-
Vested	(1,545,313)	-
Forfeited	(666,667)	-
Nonvested options at December 31, 2017	2,000,000	-
Granted	112,000,000	-
Vested	(1,500,000)	-
Forfeited	(500,000)	-
Nonvested options at December 31, 2018	<u>112,000,000</u>	<u>\$ -</u>

The Company granted warrants to purchase 7,061,165 and 22,333,335 shares of common stock to investors and contractors during the years ended December 31, 2018 and 2017, respectively, at prices ranging from \$0.01 to \$0.04 per share. The warrants were granted for periods ranging from three to ten years.

Using the Black-Scholes option pricing model, management has determined that the warrants to purchase the Company's common stock granted to non-employees in 2018 and 2017 had a fair value of

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\$37,963 and \$170,000, respectively. The fair value of warrants issued pursuant to the issuance of notes payable was recorded as deferred debt issuance cost and amortized over the remaining term of the associated debt. The fair value of warrants issued pursuant to the sale of common stock was recorded as additional paid-in capital. No expense was recorded upon the grants of the warrants to purchase the Company's common stock during 2018 and 2017.

The assumptions used and the weighted average calculated value of the stock purchase rights are as follows for the year ended December 31:

	2018	2017
Risk-free interest rate	2.90%	1.99%
Expected dividend yield	None	None
Expected life of warrants	10 years	5 years
Expected volatility rate	50%	50%
Weighted average fair value of warrants granted	\$ 0.01	\$ 0.01

The following is an analysis of the warrants to purchase the Company's common stock.

	Total Warrants	Weighted Average Exercise Price	Aggregate Fair Value	Weighted Average Remaining Contractual Term (In Years)
Total warrants outstanding at January 1, 2017	50,175,088	\$ 0.10		
Granted	22,333,335	0.01		
Exercised	(4,525,750)	0.01		
Lapsed and forfeited	-	-		
Total warrants outstanding at December 31, 2017	<u>67,982,673</u>	\$ 0.07	\$ -	3.8
Warrants vested and expected to vest at December 31, 2017	<u>67,982,673</u>	\$ 0.07	\$ -	3.8
Warrants exercisable at December 31, 2017	<u>67,982,673</u>	\$ 0.07	\$ -	3.8
Total warrants outstanding at January 1, 2018	67,982,673	\$ 0.07		
Granted	7,061,165	0.03		
Exercised	(10,000,000)	0.01		
Lapsed and forfeited	(2,344,207)	0.26		
Total warrants outstanding				

at December 31, 2018	<u>62,699,631</u>	\$ 0.07	\$ 122,963	3.2
Warrants vested and expected				
to vest at December 31, 2018	<u>62,699,631</u>	\$ 0.07	\$ 122,963	3.2
Warrants exercisable at				
December 31, 2018	<u>62,699,631</u>	\$ 0.07	\$ 122,963	3.2

On August 20, 2013, the Company granted warrants to purchase 451,738 shares of its Series B Stock at \$2.50 per share to certain investors in connection with the sale of Series B Stock. The warrants were vested upon issuance, and expired on August 20, 2018.

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The following is an analysis of the warrants to purchase the Company's Series B Stock.

	Total	Weighted	Aggregate	Weighted
	Warrants	Average	Fair	Average
		Exercise	Value	Remaining
		Price		Contractual
				Term
				(In Years)
Total warrants outstanding				
at January 1, 2017	344,992	\$ 2.50		
Granted	-	-		
Exercised	-	-		
Lapsed and forfeited	-	-		
Total warrants outstanding				
at December 31, 2017	<u>344,992</u>	\$ 2.50	\$ -	0.6
Warrants vested and expected				
to vest at December 31, 2017	<u>344,992</u>	\$ 2.50	\$ -	0.6
Warrants exercisable at				
December 31, 2017	<u>344,992</u>	\$ 2.50	\$ -	0.6
Total warrants outstanding				
at January 1, 2018	344,992	\$ 2.50		
Granted	-	-		
Exercised	-	-		
Lapsed and forfeited	344,992	2.50		
Total warrants outstanding				
at December 31, 2018	<u>-</u>	\$ -	\$ -	
Warrants vested and expected				
to vest at December 31, 2018	<u>-</u>	\$ -	\$ -	
Warrants exercisable at				
December 31, 2018	<u>-</u>	\$ -	\$ -	

During 2018 and 2017, the Company issued 7,180,000 and 8,750,000 shares, respectively, of the Company's common stock as payment for services. The Company recorded expense of \$107,700 and \$226,250, respectively, the fair value of the services received.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are not and have not been any disagreements between the Company and its accountants on any matter of accounting principles or practices or financial statement disclosure.

Item 9A. Controls and Procedures

Evaluation of Controls and Procedures

As of December 31, 2018, based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act), our Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the applicable time periods specified by the Commission's rules and forms. This includes controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Management, under the supervision and with the participation of our Chief Executive Officer and Chief

Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (1992).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting was effective at December 31, 2018.

We did not become aware of any material weaknesses in our internal control over financial reporting. However, during our evaluation, we became aware of significant deficiencies in our internal control. These matters were: 1) filing system and retention of records; 2) lack of segregation of duties for accounting transactions; and 3) non-timely filing of corporate income taxes.

Management believes that these matters are due to the small size of the Company's administrative and accounting staff. Management plans to take action in 2019 to improve these matters by 1) increasing the size of the Company's accounting staff; and 2) increasing the size of the Company's administrative staff.

Changes to Internal Controls over Financial Reporting

There was no significant change in the Company's internal controls over financial reporting that occurred during the most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our directors and executive officers, their ages and positions are set forth below. All of our directors will hold office until the next annual meeting of stockholders and the election and qualification of their successors unless they resign or are terminated earlier.

Name	Age	Position(s)
Mark A. Smith	64	Chairman of the Board of Directors and Chief Executive Officer
Troy G. Taggart	53	President
Thomas R. Oxenreiter	53	Chief Financial Officer, Secretary, and Director

Mark A. Smith has served as our Chairman of the Board and Chief Executive Officer since 2008. Prior to that, Mr. Smith was a founder of, and served as President and Chief Executive Officer from 1998 to 2005 and Chairman through 2006 of Underground Solutions, Inc. ("Underground Solutions"), an infrastructure technology company that developed pipeline technologies. Prior to serving with Underground Solutions, Mr. Smith was involved as a principal or investor in several construction, real estate and technology companies. Mr. Smith's expertise in the Company's industry led us to conclude that he would be a valuable member of the Board of Directors. As our founder, he brings historical knowledge and strategic insight to the Board.

Troy G. Taggart joined the Company as an employee in 2012 and has served as our President since 2013. Mr. Taggart held executive and senior-level positions with several financial services firms prior to co-founding McKim and Company (Formerly VentureRound), a boutique investment banking firm, in 2001. Mr. Taggart served as Executive Vice President of Bacterin International from 2008 through 2012.

Thomas R. Oxenreiter, CPA has served as our Chief Financial Officer, Secretary, and Director since 2008. Mr. Oxenreiter worked for several years in public accounting and private industry. Mr. Oxenreiter is a graduate of Villanova University. Mr. Oxenreiter's financial expertise led us to conclude that he would be a valuable member of our Board of Directors. As our current Chief Financial Officer, he is well suited to inform the Board of the current operations of the Company. As a Certified Public Accountant, he brings significant financial expertise.

Director Independence

We are not currently subject to listing requirements of any national securities exchange or inter-dealer quotation system which has requirements that a majority of the board of directors be "independent" and, as a result, we are not at this time required to have our Board of Directors comprised of a majority of "independent directors." None of our directors are independent directors under the applicable standards of the SEC and the NASDAQ stock market.

Family Relationships.

There are no family relationships among our directors or executive officers.

Involvement in Legal Proceedings.

There are no orders, judgments, or decrees of any governmental agency or administrator, or of any court of competent jurisdiction, revoking or suspending for cause any license, permit or other authority to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining any of our officers or directors from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security, or any aspect of the securities business or of theft or of any felony. Nor are any of the officers or directors of any corporation or entity affiliated with us so enjoined.

Board Committees.

Our Board of Directors does not currently have an audit committee, compensation committee or nominating and corporate governance committee because, due to the Board of Director's composition and

our relatively limited operations, the Board of Directors is able to effectively manage the issues normally considered by such committees. Our Board of Directors may undertake a review of the need for these committees in the future.

We do not have a code of ethics.

Item 11. Executive Compensation

The following table sets forth a summary for the fiscal years ended December 31, 2018 and 2017 of the cash and non-cash compensation awarded, paid or accrued by the Company to our Chief Executive Officer and our two most highly compensated officers other than our Chief Executive Officer who served in such capacities in 2018 (collectively, the “Named Executive Officers”). All currency amounts are expressed in U.S. dollars.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Award(s) (\$)	Option Award(s) (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(2)	Total (\$)
Mark A. Smith, Chairman of Board of Directors and Chief Executive Officer	2018	220,000	—	—	—	—	—	25,864	241,864
	2017	278,333	—	—	—	—	—	23,215	301,548
Troy G. Taggart President	2018	225,000	—	—	—	—	—	31,425	256,425
	2017	225,000	—	—	—	—	—	25,963	250,963
Thomas R. Oxenreiter, Chief Financial Officer	2018	175,000	—	—	—	—	—	23,826	198,826
	2017	175,000	—	—	—	—	—	20,107	195,107

(1) The Company has determined that stock options granted in 2018 to the Named Executive Officers have no value.

(2) This column includes employee benefit amounts including health insurance.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the Named Executive Officers concerning equity awards granted by the Company as of December 31, 2018.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price Per Share (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units that Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Number of Shares or Units of Stock That Have Not Vested (#)
Mark A. Smith	3,000,000 (1)	-	-	0.07	10/18/2023	-	-	-	-
Mark A. Smith	-	-	28,000,000 (2)	0.03	5/10/2021	-	-	-	-
Troy G. Taggart	3,000,000 (1)	-	-	0.07	10/18/2023	-	-	-	-
Troy G. Taggart	100,000 (3)	-	-	0.15	10/23/2025	-	-	-	-
Troy G. Taggart	-	-	48,000,000 (4)	0.03	5/10/2021	-	-	-	-
Thomas R. Oxenreiter	3,000,000 (1)	-	-	0.07	10/18/2023	-	-	-	-
Thomas R. Oxenreiter	100,000 (3)	-	-	0.15	10/23/2025	-	-	-	-
Thomas R. Oxenreiter	-	-	36,000,000 (5)	0.03	5/10/2021	-	-	-	-

- (1) Stock appreciation rights on 3,000,000 shares of common stock at \$0.07 per share granted on October 18, 2013, vested one-third on October 13, 2013, one-third on October 13, 2014, and one-third on October 13, 2015.
- (2) Stock options on 28,000,000 shares of common stock at \$0.03 per share granted on May 10, 2018, vest one-quarter upon the Company’s attainment of revenues in excess of \$2,500,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$5,000,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$7,500,000 in the aggregate over four consecutive quarters; and one-quarter upon the Company becoming listed on either the Nasdaq or NYSE American stock exchanges.
- (3) Stock appreciation rights on 100,000 shares of common stock at \$0.15 per share granted on October 23, 2015, vested one-half on October 23, 2015, and one-half on October 23, 2016.
- (4) Stock options on 48,000,000 shares of common stock at \$0.03 per share granted on May 10, 2018, vest one-quarter upon the Company’s attainment of revenues in excess of \$2,500,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$5,000,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$7,500,000 in the aggregate over four consecutive quarters; and one-quarter upon the Company becoming listed on either the Nasdaq or NYSE American stock exchanges.
- (5) Stock options on 36,000,000 shares of common stock at \$0.03 per share granted on May 10, 2018, vest one-quarter upon the Company’s attainment of revenues in excess of \$2,500,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$5,000,000 in the aggregate over four consecutive quarters; one-quarter upon the Company’s attainment of revenues in excess of \$7,500,000 in the aggregate over four consecutive quarters; and one-quarter upon the Company becoming listed on either the Nasdaq or NYSE American stock exchanges.

Director Compensation

Other than compensation of Named Executive Officers disclosed in the Summary Compensation Table, the Company did not pay any compensation to Directors.

Employment Agreements and Change in Control Arrangements

On October 18, 2013, the Company entered into an Employment Agreement with Mark A. Smith, the Company's Chairman and Chief Executive Officer (the "2013 Smith Employment Agreement"). The 2013 Smith Employment Agreement provides for a base salary of \$320,000 per year, plus certain expenses and employee benefits, and an annual bonus dependent upon the attainment of certain performance measures. The 2013 Smith Employment Agreement has an initial expiration date of October 18, 2016, which expiration date is automatically extended by one day during each day of the term of the agreement so that the unexpired term is always three years, unless either Mr. Smith or the Company terminates the automatic extension provision.

Upon a change in control, as defined in the 2013 Smith Employment Agreement, and for six months thereafter, Mr. Smith may terminate the Smith Employment Agreement. Upon such termination, the Company must pay Mr. Smith a lump sum equal to two times Mr. Smith's salary and annual bonus on the date of termination for the remaining term of the 2013 Smith Employment Agreement. Also upon such termination, all equity awards granted by the Company to Mr. Smith immediately vest and remain exercisable for their original term, and all employee benefits remain in place for one year.

On October 18, 2013, the Company entered into an Employment Agreement with Thomas R. Oxenreiter, the Company's Chief Financial Officer (the "Oxenreiter Employment Agreement"). The Oxenreiter Employment Agreement provides for a base salary of \$175,000 per year, plus certain expenses and employee benefits, and an annual bonus dependent upon the attainment of certain performance

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measures. The Oxenreiter Employment Agreement has an initial expiration date of October 18, 2016, which expiration date is automatically extended by one day during each day of the term of the agreement so that the unexpired term is always three years, unless either Mr. Oxenreiter or the Company terminates the automatic extension provision.

Upon a change in control, as defined in the Oxenreiter Employment Agreement, and for six months thereafter, Mr. Oxenreiter may terminate the Oxenreiter Employment Agreement. Upon such termination, the Company must pay Mr. Oxenreiter a lump sum equal to Mr. Oxenreiter's salary and annual bonus on the date of termination for the remaining term of the Oxenreiter Employment Agreement. Also upon such termination, all equity awards granted by the Company to Mr. Oxenreiter immediately vest and remain exercisable for their original term, and all employee benefits remain in place for one year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of 5% Beneficial Owners, Directors and Management

The following table sets forth information, as of April 8, 2019, regarding beneficial ownership of our common stock to the extent known to us, by:

- (i) each person who is known by us to own beneficially more than 5% of our outstanding shares of common stock or Series C Convertible Preferred Stock ("Series C Stock") (each a "5% Stockholder");
- (ii) each Director;
- (iii) each Named Executive Officer; and
- (iv) all of our Directors and Named Executive Officers as a group.

We have determined beneficial ownership in accordance with the Rules of the SEC. Unless otherwise noted, we believe that each person named in the table has sole voting and investment power with respect to all shares of our common stock that he or she beneficially owns.

Applicable percentage ownership of common stock and Series C Stock is based on 346,743,784 and 3,644,578 shares of common stock and Series C Stock, respectively, outstanding. For purposes of these tables, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from April 8, 2019 upon exercise of options, warrants and convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such person (but not those held by any other person) and that are exercisable within 60 days from the date hereof have been exercised. Unless otherwise indicated, the address of each 5% Stockholder, Director and Named Executive Officer is 229 Howes Run Road, Sarver, PA 16055.

Securities authorized for issuance under equity compensation plans appear in Item 5 of this Report on Form 10-K.

Name and Beneficial Owner	Shares of Common Stock Beneficially Owned		Shares of Series C Preferred Stock Beneficially Owned		Percentage of Voting Stock Beneficially Owned
	Shares	%	Shares	%	%
Named Executive Officers and Directors:					
Mark A. Smith (1)	77,795,833	20.0 %	783,912	21.5 %	19.1 %
Troy G. Taggart (2)	16,026,260	4.5 %	-	0.0 %	2.2 %
Thomas R. Oxenreiter (3)	19,466,540	5.5 %	25,000	0.7 %	3.0 %
All executive officers and directors as a group (3 persons)	113,288,633	27.7 %	-	22.2 %	21.5 %
Other 5% Stockholders:					
David M. Truitt (4)	206,890,214	40.9 %	2,750,000	75.5 %	52.4 %
Lesa Smith (5)	52,544,835	14.5 %	783,912	21.5 %	16.2 %
Robert L. Goodman (6)	32,864,613	9.4 %	-	0.0 %	4.6 %

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(1) Includes 36,112,595 shares of common stock jointly owned by Mr. Smith and his wife, Lesa A. Smith, 26,004,998 shares of common stock issuable upon exercise of outstanding options, stock appreciation rights, and warrants, and 15,678,240 shares of common stock issuable upon conversion of Series C

- (2) Includes 74,330 shares of common stock owned by a revocable trust controlled by Mr. Taggart, and 9,564,689 shares of common stock issuable upon exercise of outstanding options, stock appreciation rights, and warrants.
- (3) Includes 9,053,896 shares of common stock jointly owned by Mr. Oxenreiter and his wife, Emily J. Oxenreiter, 9,912,644 shares of common stock issuable upon exercise of outstanding options, stock appreciation rights, and warrants, and 500,000 shares of common stock issuable upon conversion of Series C Convertible Preferred Stock held by Mr. & Mrs. Oxenreiter.
- (4) The address for Mr. Truitt is 13241 Woodland Park Road, Suite 610, Herndon, VA 20171. Includes 91,754,514 shares of common stock issuable upon conversion of a Secured Promissory Note and 12,100,000 shares of common stock issuable upon exercise of outstanding warrants. Shares of common stock beneficially owned include 55,000,000 shares of common stock issuable upon conversion of Series C Preferred Stock.
- (5) Represents 36,112,595 shares of common stock owned jointly by Mrs. Smith and her husband, Mark A. Smith; 377,000 shares of common stock owned by the 2000 Irrevocable Trust FBO Benjamin Smith, of which Mrs. Smith is the trustee; and 377,000 shares of common stock owned by the 2000 Irrevocable Trust FBO Ian Smith, of which Mrs. Smith is the trustee.
- (6) The address for Mr. Goodman is 7470 SW Westgate Way, Portland, OR 97225. Includes 3,071,420 shares of common stock owned by Lowery Enterprises, LLC, which is owned by Mr. Goodman, and 2,900,334 shares of common stock issuable upon exercise of outstanding warrants.

Item 13. Certain Relationships and Related Transactions

The Company leases its headquarters building located at 229 Howes Run Road, Sarver, Pennsylvania from Mark A. Smith, the Company's chairman and chief executive officer. The building has approximately 3,200 square feet of office space, and is used by the Company's corporate, technical, and operations staff. The lease is cancellable by either party upon 30 days' notice. Mr. Smith has agreed to suspend collection of rent effective April 1, 2016. The Company incurred no lease expense during the years ended December 31, 2018 and 2017.

On November 9, 2012, the Company and Mr. Smith entered into a Lease Agreement, pursuant to which the Company leased a field vehicle from Mr. Smith. The lease was for 60 months, and was for substantially the same terms for which Mr. Smith leased the vehicle from the manufacturer. Interest on the lease amounted to \$48 for the year ended December 31, 2017. The lease was recorded as a capital lease. The lease expired during the year ended December 31, 2017.

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Item 14. Principal Accountant Fees and Services

The aggregate fees billed to the Company by our auditors were as follows for the fiscal years ended December 31:

	2018	2017
Audit fees	\$ 31,738	\$ 35,289
Tax fees	-	-
Total fees billed	<u>\$ 31,738</u>	<u>\$ 35,289</u>

Audit Fees

The aggregate audit fees billed and unbilled for the fiscal years ended December 31, 2018 and 2017 were for professional services rendered by our auditors for the audits of our annual financial statements and the review of our financial statements included in our quarterly reports on Form 10-Q.

Audit-Related Fees

None.

Tax and Other Fees

None.

Pre-Approval Policies and Procedures

We do not have an audit committee. Our board of directors pre-approves all services, including both audit and non-audit services, provided by our independent accountants. For audit services, each year the independent auditor provides us with an engagement letter outlining the scope of the audit services proposed to be performed during the year, which must be formally accepted by the sole director before the audit commences.

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Item 15. Exhibits and Financial Statement Schedules

The exhibits listed in the following Exhibit Index are filed or incorporated by reference as part of this Report. The following are exhibits to the Annual Report and, if incorporated by reference, we have indicated the document previously filed with the SEC in which the exhibit was included.

<u>Exhibit</u>	<u>Document</u>
3.1	Amended Articles of Incorporation of Geospatial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form S-1 dated August 15, 2016)

- 3.2 Bylaws of Geospatial Corporation (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 4.1 Certificate of Designations of the Series B Convertible Preferred Stock of Geospatial Holdings, Inc. dated as of August 20, 2013 (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 4.2 Common Stock Specimen Certificate (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 4.3 Series B Convertible Preferred Stock Specimen Certificate (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 4.4 Certificate of Designations, Powers, Preferences and Rights of Series C Convertible Preferred Stock dated March 16, 2016 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated as of March 16, 2016)
- 10.1 Lease Agreement dated May 1, 2006 between Mark A. Smith and Geospatial Mapping Systems, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.2 Geospatial Holdings, Inc. 2013 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.3 Geospatial Mapping Systems, Inc. 2007 Stock Option Plan (incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.4 Employment Agreement dated December 1, 2007 between Mark A. Smith and Geospatial Mapping Systems, Inc. (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.5 Nonqualified Stock Option Agreement between Geospatial Mapping Systems, Inc. and Mark A. Smith dated effective December 1, 2007 (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.6 Employment Agreement dated October 18, 2013 by and between Geospatial Corporation and Mark A. Smith (incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.7 Stock Appreciation Rights Agreement dated October 18, 2013 between Geospatial Corporation and Mark A. Smith (incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.8 Stock Appreciation Rights Agreement dated October 18, 2013 between Geospatial Corporation and Troy Taggart (incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-1 dated March 26, 2014)

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- 10.9 Nonqualified Stock Option Agreement between Geospatial Mapping Systems, Inc. and Thomas R. Oxenreiter dated effective March 13, 2008 (incorporated by reference to Exhibit 10.11 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.10 Agreement Not to Compete between Thomas R. Oxenreiter and Geospatial Mapping Systems, Inc. dated effective March 13, 2008 (incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.11 Employment Agreement dated October 18, 2013 by and between Geospatial Corporation and Thomas R. Oxenreiter (incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.12 Stock Appreciation Rights Agreement dated October 18, 2013 between Geospatial Corporation and Thomas R. Oxenreiter (incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.14 Settlement Agreement dated May 25, 2012 among Joseph Timothy Nippes, Daniel A. Bradley, Christina Sherwood, Joseph A. Lane, Ronald Peterson, Timothy Story, Linda Ward, Geospatial Mapping Systems, Inc., Geospatial Holdings, Inc., Mark A. Smith, Thomas R. Oxenreiter, Timothy F. Sutherland and Thomas Ridge (incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-1 dated March 26, 2014)
- 10.15 Asset Purchase Agreement dated as of September 17, 2014 among Geospatial Corporation, Select Analytics LLC, and Edward R. Camp, Jr. (incorporated by reference to Exhibit 10.21 of the Company's Amendment No. 1 to Registration Statement on Form S-1 dated November 14, 2014)
- 10.18 Note and Warrant Purchase Agreement dated as of April 2, 2015 by and between Geospatial Corporation and David Truitt (incorporated by reference to Exhibit 10.24 of the Company's Amendment No. 3 to Registration Statement on Form S-1 dated May 19, 2015)
- 10.19 Preferred Stock Purchase Agreement dated March 16, 2016 by and between Geospatial Corporation and David Truitt (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated as of March 16, 2016)

- 10.20 Agreement and Amendment dated January 27, 2016 by and between Geospatial Corporation and David Truitt (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K dated April 14, 2016)
- 10.21 Settlement Agreement, General Release and Waiver of Claims dated February 24, 2016 by and among Edward R. Camp, Jr., Select Analytics LLC, and Geospatial Corporation (incorporated by reference to Exhibit 10.27 of the Company's Annual Report on Form 10-K dated April 14, 2016)
- 10.22 Stock Appreciation Rights Agreement by and between Geospatial Corporation and Troy G. Taggart dated October 23, 2015 (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K dated April 14, 2016)
- 10.23 Stock Appreciation Rights Agreement by and between Geospatial Corporation and Thomas R. Oxenreiter dated October 23, 2015 (incorporated by reference to Exhibit 10.29 of the Company's Annual Report on Form 10-K dated April 14, 2016)
- 10.24 Convertible Note and Warrant Purchase Agreement by and between Geospatial Corporation and Thomas R. Oxenreiter dated September 30, 2015 (incorporated by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K dated April 14, 2016)

- 10.25 Convertible Note and Warrant Purchase Agreement by and between Geospatial Corporation and Thomas R. Oxenreiter dated October 15, 2015 (incorporated by reference to Exhibit 10.31 of the Company's Annual Report on Form 10-K dated April 14, 2016)
- 10.28 Conversion Agreement dated May 18, 2016, by and among Geospatial Corporation, Geospatial Mapping Systems, Inc., and Mark A. Smith (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q dated May 20, 2016)
- 10.29 Conversion Agreement dated May 18, 2016, by and among Geospatial Corporation, Geospatial Mapping Systems, Inc., and Troy G. Taggart (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q dated May 20, 2016)
- 10.30 Conversion Agreement dated May 18, 2016, by and among Geospatial Corporation, Geospatial Mapping Systems, Inc., and Thomas R. Oxenreiter (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q dated May 20, 2016)
- 10.31 Agreement and Amendment dated August 12, 2016 by and between Geospatial Corporation and David Truitt (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q dated August 15, 2016)
- 10.32 Warrant Exercise and Note Repayment Agreement dated November 7, 2016 by and between Geospatial Corporation and David M. Truitt (incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K dated April 14, 2017)
- 10.33 Note and Warrant Purchase Agreement dated December 14, 2016 by and between Geospatial Corporation and David M. Truitt (incorporated by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K dated April 14, 2017)
- 10.34 Agreement and Amendment dated August 31, 2017, by and between Geospatial Corporation and David M. Truitt (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated as of August 31, 2017)
- 10.35 Agreement to Amend Notes and Security Agreements among Geospatial Corporation, Geospatial Mapping Systems, Inc., and David M. Truitt dated June 15, 2018 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q dated August 20, 2018)
- 10.36 Non-Statutory Stock Option between Geospatial Corporation and Mark A. Smith dated May 10, 2018 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated August 20, 2018)
- 10.37 Non-Statutory Stock Option between Geospatial Corporation and Troy G. Taggart dated May 10, 2018 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q dated August 20, 2018)
- 10.38 Non-Statutory Stock Option between Geospatial Corporation and Thomas R. Oxenreiter dated May 10, 2018 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q dated August 20, 2018)
- 10.39 Secured Promissory Note and Amendment to the Prior Secured Promissory Notes by and among Geospatial Corporation, Geospatial Mapping Systems, Inc., and David Truitt, dated March 6, 2019 *
- 21.1 List of Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of the Company's Registration Statement on Form S-1 dated March 26, 2014)

- 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of

- 31.2 [Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *](#)
- 101 INS* XBRL Instance Document
- 101 SCH* XBRL Taxonomy Schema
- 101 CAL* XBRL Taxonomy Extension Calculation Linkbase
- 101 DEF* XBRL Taxonomy Extension Definition Linkbase
- 101 LAB* XBRL Taxonomy Extension Label Linkbase
- 101 PRE* XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) 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.

GEOSPATIAL CORPORATION

(Registrant)

Date: April 16, 2019

By: /s/ Mark A. Smith

Name: Mark A. Smith

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of April 14, 2017:

Signature	Title
<u>/s/ Mark A. Smith</u> Mark A. Smith	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Thomas R. Oxenreiter</u> Thomas R. Oxenreiter	Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)

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EX-10.39 2 gs_ex10z39.htm SECURED PROMISSORY NOTE AND AMENDMENT

EXHIBIT 10.39

SECURED PROMISSORY NOTE AND AMENDMENT TO THE PRIOR SECURED PROMISSORY NOTES

\$100,000

March 6, 2019

IN EXCHANGE FOR THE FUNDS RECEIVED, GEOSPATIAL CORPORATION (the "Borrower"), and its wholly owned subsidiary, Geospatial Mapping Systems, Inc. ("GMS"), promise to pay to the order of David Truitt, an individual residing in the Commonwealth of Virginia (the "Lender"), at such place as the Lender may designate, the outstanding principal sum of One Hundred Thousand Dollars (\$100,000.00), with interest payable as set forth in this Secured Promissory Note ("Note"). The Note principal and interest shall be payable in lawful money of the United States of America.

Interest on this Note shall accrue at an annual rate of ten percent (10%) based on the unpaid principal sum and any unpaid accrued interest based on a three hundred sixty (360) day calendar year. The Borrower agrees to make monthly payments of principal and accrued interest to the Lender equal to fifty percent (50%) of any collections of accounts receivable by Borrower and/or GMS, until the principal and accrued interest of this Note are both paid in full.

Each month starting in March 2019, on or before the fifth (5th) day of the following month (i.e. starting on April 5, 2019), the Borrower shall deliver to Lender a report showing the amount of any account receivable collected for the prior month, and the amount of the any outstanding accounts receivable for each account of Borrower and/or GMS, along with payment to Borrower.

This Note is secured by the Borrower's assets pursuant to the terms of the Security Agreement dated April 2, 2015 between the Borrower and the Lender, and the Security Agreement dated April 2, 2015 between the Lender

and GMS.

The Borrower and Lender agree that the funds delivered to Borrower from Lender for this Note may only be used in connection with expenses directly related to the completion of sales opportunities and projects of Borrower that create accounts receivables for Borrower and/or GMS from and after March 1, 2019. These funds may not be used for any other purpose, including but not limited to the payment of salaries or other compensation for any executive of Borrower, including Mark Smith, Troy Taggart and Thomas Oxenreiter.

The Borrower may prepay the principal and accrued interest of this Note, in whole or in part, at any time.

The entire unpaid principal sum of this Note, together with any unpaid accrued interest shall become immediately due and payable upon the occurrence of an event of default (an "Event of Default"). An Event of Default shall be deemed to have occurred upon (a) the collection of any accounts receivable on or after March 1, 2019 and the nonpayment of at least fifty percent (50%) of those collected funds to Lender on or before the fifth (5th) day of the month following the receipt of the money attributable to the accounts receivable; (b) the pledge, lease or other disposition of

the accounts receivable or other assets of the Borrower or GMS; (c) the merger, consolidation, reorganization, dissolution, or termination of the Borrower or GMS; (d) the filing by or against Borrower or GMS of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or a similar proceeding; (e) any assignment for the benefit of creditors other than to Lender, (f) a default with respect to any other indebtedness of Borrower or GMS to any lender, other than the Lender, if the effect of the default is to cause or permit the acceleration of debt, (g) the entry of a final judgment against Borrower or GMS in an amount exceeding \$100,000 unless it is discharged within thirty (30) days from the entry of judgment; or (h) if the Borrower or GMS cease to do business as a going concern. Upon the occurrence of any Event of Default, interest shall accrue on the unpaid balance of this Note at a fixed rate of fifteen percent (15%) per annum from the date of the Event of Default, the entire principal balance and unpaid accrued interest of this Note shall be due in full, and Lender shall have the rights to all of the remedies contained in the aforementioned Security Agreements dated April 2, 2015 and any loan documents relating to the prior loans or notes.

In addition, as consideration for this Note, Borrower and Lender agree that after all of the principal and accrued interest on this Note are both repaid in full, Borrower shall remit to Lender twenty percent (20%) of any collections of accounts receivable by Borrower or GMS on or before the 5th day of the month following the date of collection in payment for the outstanding principal and interest on the Secured Promissory Notes between the Lender and the Borrower dated April 2, 2015 in the amount of \$1,000,000, January 27, 2016 in the amount of \$250,000, and December 14, 2016 in the amount of \$100,000, until the principal and unpaid accrued interest on the prior Secured Promissory Notes are paid in full. Borrower shall also continue to send to Lender each month, on or before the fifth (5th) day of the following month, a report showing the amount of any account receivable collected for the prior month and the amount of the any outstanding accounts receivable for each account of Borrower and/or GMS along with payment to Borrower. This provision shall constitute an amendment to the prior Secured Promissory Notes dated April 2, 2015, January 27, 2016, and December 14, 2016 and any loan documents relating to the prior loans or notes.

This Note shall be governed, construed and interpreted in accordance with the laws of the Commonwealth of Virginia. The Borrower (i) irrevocably submits to the exclusive jurisdiction of any Virginia state court or federal court sitting in the Commonwealth of Virginia with respect to any suit, action or proceeding relating to this Note, (ii) waives any objection which it may now or subsequently have with respect to venue, including that any suit, action or proceeding brought in a Virginia court is an inconvenient forum, (iii) waives the right to object that any Virginia court does not have jurisdiction over Borrower or GMS, and (iv) consents to service of process in any suit, action or proceeding by the mailing of copies to it by certified mail to the address of Borrower.

The Borrower agrees that any suit, action or proceeding, whether claim or counterclaim, brought or instituted by Borrower or any successor or assignee of Borrower with respect to this Note or which in any way relates, directly or indirectly, to the obligations of Borrower to Lender under this Note, or the actions or inactions of Borrower, shall be tried by a court and not by a jury. *Borrower hereby expressly waives any right to a trial by jury in any suit, action or proceeding and acknowledges and agrees that this provision is a specific and material aspect of this Note and that*

the Lender would not enter into this transaction if this provision were not part of this Note.

If any provision of this Note is held to be invalid, illegal or unenforceable for any reason, or if any provision of this Note operates or would prospectively operate to invalidate this Note, then only the offending provision shall be deemed null and void and it shall not affect any other provision (or remaining part of the affected provision) of this Note, and the remaining provisions (or remaining part of the affected provision) of this Note shall all remain operative and in full force and effect.

Borrower waives presentment, protest and demand, notice of protest, notice of demand and dishonor, and notice of non-payment of this Note.

WITNESS the signature and seal of Borrower as of the day and year first above written.

WITNESS:

GEOSPATIAL CORPORATION

/s/ Thomas R. Oxenreiter

By: /s/ Mark Smith (SEAL)
Mark Smith, CEO

Signature Block for the Amendment for the Prior Notes:

/s/ David Truitt

By: /s/ Mark Smith (SEAL)
Mark Smith, CEO

DAVID TRUITT:

GEOSPATIAL MAPPING SYSTEMS, INC.

/s/ David Truitt

By: /s/ Mark Smith (SEAL)
Mark Smith, CEO

EX-31.1 3 gs_ex31z1.htm CERTIFICATION

Exhibit 31.1

**Certification of Periodic Report Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Mark A. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Geospatial Corporation;
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 officers 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 officers 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: April 16, 2019

By: /s/ Mark A. Smith
Name: Mark A. Smith
Title: Chief Executive Officer
(Principal Executive Officer)

{S0920793.1}

EX-31.2 4 gs_ex31z2.htm CERTIFICATION

Exhibit 31.2

**Certification of Periodic Report Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Thomas R. Oxenreiter, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Geospatial Corporation;

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 officers 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 officers 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: April 16, 2019

By: /s/ Thomas R. Oxenreiter

Name: Thomas R. Oxenreiter

Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

{S0920793.1}

EX-32.1 5 gs_ex32z1.htm CERTIFICATION

Exhibit 32.1

**CERTIFICATION PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350
As Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Geospatial Corporation (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Mark A Smith, Chief Executive 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, as amended; and

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

Date: April 16, 2019

By: /s/ Mark A. Smith

Name: Mark A. Smith

Title: Chief Executive Officer
(Principal Executive Officer)

{S0920793.1}

EX-32.2 6 gs_ex32z2.htm CERTIFICATION

Exhibit 32.2

**CERTIFICATION PURSUANT TO TITLE 18, UNITED STATES CODE, SECTION 1350
As Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Geospatial Corporation (the "Company") for the year ended December 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Thomas R. Oxenreiter, 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, as amended; and

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

Date: April 16, 2019

By: /s/ Thomas R. Oxenreiter

Name: Thomas R. Oxenreiter

Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

{S0920793.1}



Certified Public Accountants

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