

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: September 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 000-55937

**GEOSPATIAL CORPORATION**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

87-0554463

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

**13241 Woodland Park Road, Suite**

**610, Herndon, VA 20171**

(Address of principal executive  
offices)

(724) 353-3400

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 whether the registrant is a large accelerated filer, an accelerated filer, a Non-accelerated Filer, a smaller reporting company, or emerging growth company. See the 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  (Do not check if a smaller reporting company)

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 Exchange Act): YES  NO

As of November 18, 2019, 370,911,784 shares of the registrant's common stock, par value \$0.001 par value per share, were outstanding.

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**FORWARD-LOOKING STATEMENT NOTICE**

The statements set forth in this report which are not historical constitute "Forward-Looking Statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder, including statements regarding our 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; our inability to use historical financial data to evaluate our financial performance; and the other risk factors identified in our filings with the Securities and Exchange Commission.

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, readers of this report 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.

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**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules of the SEC, and should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-Q for the fiscal year ended December 31, 2018, which we filed with the Securities and Exchange Commission ("SEC") on April 16, 2019. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**GEOSPATIAL CORPORATION  
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**Geospatial Corporation and Subsidiaries  
Consolidated Balance Sheets**

	September 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,224	\$ 7,117
Accounts receivable	37,300	115,913
Prepaid expenses and other current assets	25,556	80,664
Total current assets	104,080	203,694
Property and equipment:		
Field equipment	364,252	357,070
Field vehicles	43,285	43,285
Total property and equipment	407,537	400,355
Less: accumulated depreciation	(400,737)	(398,063)
Net property and equipment	6,800	2,292
Total assets	<u>\$ 110,880</u>	<u>\$ 205,986</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 169,331	\$ 198,716
Accrued expenses	1,279,114	1,323,586
Notes payable to related party	2,071,278	1,758,424
Notes payable	59,911	284,248
Accrued registration payment arrangement	76,067	76,337
Total current liabilities	3,655,701	3,641,311
Stockholders' deficit:		
Preferred stock: Undesignated, \$0.001 par value; 20,000,000 shares authorized		

at September 30, 2019 and December 31, 2018; no shares issued and outstanding at September 30, 2019 and December 31, 2018	-	-
Series B Convertible Preferred Stock, \$0.001 par value; 5,000,000 shares authorized at September 30, 2019 and December 31, 2018; no shares issued and outstanding at September 30, 2019 and December 31, 2018	-	-
Series C Convertible Preferred Stock, \$0.001 par value; 10,000,000 shares authorized at September 30, 2019 and December 31, 2018; 3,644,578 shares issued and outstanding at September 30, 2019 and December 31, 2018	3,645	3,645
Common stock, \$0.001 par value; 750,000,000 shares authorized at September 30, 2019 and December 31, 2018; 370,911,784 and 325,077,118 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	370,912	325,077
Additional paid-in capital	41,137,772	40,438,183
Additional paid-in capital, warrants	83,663	122,963
Accumulated deficit	(45,140,813)	(44,325,193)
Total stockholders' deficit	(3,544,821)	(3,435,325)
Total liabilities and stockholders' deficit	<u>\$ 110,880</u>	<u>\$ 205,986</u>

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

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**Geospatial Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Sales	\$ 129,800	\$ 259,554	\$ 272,800	\$ 700,122
Cost of sales	38,827	71,311	83,136	169,891
Gross profit	90,973	188,243	189,664	530,231
Selling, general and administrative expenses	260,602	299,962	853,972	1,151,087
Net loss from operations	(169,629)	(111,719)	(664,308)	(620,856)
Other income (expense):				
Interest expense	(77,653)	(100,060)	(229,484)	(314,338)
Gain on extinguishment of debt	-	-	78,121	-
Other income	-	-	-	1,711
Loss on disposal of property and equipment	-	-	-	(1,856)
Gain on foreign currency exchange	-	775	51	775
Total other income (expense)	(77,653)	(99,285)	(151,312)	(313,708)
Net loss before income taxes	(247,282)	(211,004)	(815,620)	(934,564)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (247,282)</u>	<u>\$ (211,004)</u>	<u>\$ (815,620)</u>	<u>\$ (934,564)</u>
Basic and fully-diluted net loss per share of common stock	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

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

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**Geospatial Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Deficit**  
**For the Nine Months Ended September 30, 2019**  
**(Unaudited)**

	Preferred Stock		Common Stock		Additional Paid-In Capital
	Shares	Amount	Shares	Amount	
Balance, December 31, 2018	3,644,578	\$ 3,645	325,077,118	\$ 325,077	\$ 40,438,183
Sale of common stock, net of issuance costs	-	-	21,666,667	21,667	300,133
Issuance of common stock for services	-	-	4,350,000	4,350	60,900
Issuance of common stock for registration penalty	-	-	18,000	18	252

Issuance of common stock in settlement of liabilities	-	-	14,799,999	14,800	207,200
Exercise of warrants to purchase common stock	-	-	5,000,000	5,000	87,500
Issuance of convertible securities with beneficial conversion features	-	-	-	-	43,604
Net loss for the nine months ended September 30, 2019	-	-	-	-	-
Balance, September 30, 2019	3,644,578	\$ 3,645	370,911,784	\$ 370,912	\$ 41,137,772

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

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**Geospatial Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	For the Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net loss	\$ (815,620)	\$ (934,564)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,674	6,829
Loss on disposal of property and equipment	-	1,856
Amortization of deferred debt issue costs	-	114,204
Amortization of discount on notes payable	43,604	36,357
Gain on extinguishment of debt	(78,121)	-
Accrued interest payable	184,737	162,240
Issuance of common stock for services	65,250	107,700
Changes in operating assets and liabilities:		
Accounts receivable	78,613	(147,451)
Prepaid expenses and other current assets	55,108	1,292
Accounts payable	(18,149)	(43,229)
Accrued expenses	33,249	255,664
Net cash used in operating activities	(448,655)	(439,102)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(7,182)	-
Net cash used in investing activities	(7,182)	-
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	-	200,000
Proceeds from issuance of notes payable to related parties	150,000	-
Principal payments on notes payable	(16,656)	(107,123)
Principal payments on notes payable to related parties	(18,400)	-
Proceeds from sale of common stock, net of offering costs	325,000	246,000
Proceeds from exercise of warrants to purchase common stock	50,000	100,000
Net cash provided by financing activities	489,944	438,877
Net change in cash and cash equivalents	34,107	(225)
Cash and cash equivalents at beginning of period	7,117	8,357
Cash and cash equivalents at end of period	<u>\$ 41,224</u>	<u>\$ 8,132</u>
<b>Supplemental disclosures:</b>		
Cash paid during period for interest	\$ 1,143	\$ 1,695
Cash paid during period for income taxes	-	-
Non-cash transactions:		
Issuance of common stock for services	65,250	107,700
Issuance of common stock for registration penalty	270	-
Issuance of convertible securities with beneficial conversion features	43,604	36,357
Liabilities settled by issuance of notes payable	222,000	175,653
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.

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**Geospatial Corporation and Subsidiaries**  
**Notes to Unaudited Financial Statements**  
September 30, 2019

The Unaudited Consolidated Financial Statements included herein have been prepared by Geospatial Corporation (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information and regulations issued pursuant to the Securities Exchange Act of 1934, as amended. Accordingly, the accompanying Unaudited Consolidated Financial Statements do not include all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. The accompanying Unaudited Consolidated Financial Statements as of and for the nine months ended September 30, 2019 should be read in conjunction with the Company's Financial Statements as of and for the year ended December 31, 2018. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the accompanying Unaudited Consolidated Financial Statements have been included, and all adjustments, unless otherwise discussed in the Notes to the Unaudited Consolidated Financial Statements, are of a normal and recurring nature. Operating results for the nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019, or any other interim periods, or any future year or period.

The use of accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, Geospatial Mapping Systems, Inc. and Utility Services and Consulting Corporation, which ceased operations in 2011. All intercompany accounts and transactions have been eliminated.

On June 12, 2019, the Company's board of directors appointed David M. Truitt as the Company's chief executive officer, director, and chairman of the Company's board of directors. Accordingly, notes payable by the Company to Mr. Truitt that were presented as notes payable in the Company's financial statements as of and for the year ended December 31, 2018 have been reclassified to notes payable to related party.

#### **Note 2 – Accrued Expenses**

Accrued expenses consisted of the following:

	September 30, 2019	December 31, 2018
Payroll and taxes	\$ 1,219,629	\$ 1,170,091
Accounting	50,730	47,504
Contractors and subcontractors	4,755	5,300
Interest	-	2,918
Other	4,000	97,773
Accrued expenses	<u>\$ 1,279,114</u>	<u>\$ 1,323,586</u>

#### **Note 3 – Related-Party Transactions**

David M. Truitt is the Company's chairman and chief executive officer. The Company has outstanding notes payable due to Mr. Truitt as follows:

Secured Promissory Note, bearing interest at 20% per annum, net of discount and deferred issuance costs. The note is convertible to common stock at the higher of  
 Secured Promissory Note, bearing interest at 10% per annum, and is secured by substantially all the assets of the Company  
 Secured Promissory Note, bearing interest at 20% per annum, and is secured by substantially all the assets of the Company  
 Notes payable to related party

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**Geospatial Corporation and Subsidiaries  
 Notes to Unaudited Financial Statements  
 September 30, 2019**

#### **Note 4 – Notes Payable**

Notes payable consisted of the following:

Unsecured Convertible Promissory Notes, payable to two individuals, bearing interest at 15% per annum, net of deferred issuance costs. The notes are convertible  
 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  
 Notes payable

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**Geospatial Corporation and Subsidiaries  
 Notes to Unaudited Financial Statements  
 September 30, 2019**

#### **Note 5 – Income Taxes**

The Company's provision for (benefit from) income taxes is summarized below:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Current:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
Deferred:				
Federal	(46,676)	(39,552)	(153,760)	(175,207)

State	(24,697)	(20,927)	(81,354)	(92,702)
Total income taxes	(71,373)	(60,479)	(235,114)	(267,909)
Less: valuation allowance	71,373	60,479	235,114	267,909
Net income taxes	\$ -	\$ -	\$ -	\$ -

The reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Nine months Ended September 30, 2019	Nine months Ended September 30, 2018
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.

	September 30, 2019	December 31, 2018
Start-up costs	\$ 429	\$ 5,565
Depreciation	(43,124)	(40,499)
Accrued expenses	285,544	274,885
Net operating loss carryforward	12,571,649	12,182,800
Deferred income taxes	12,814,498	12,422,751
Less: valuation allowance	(12,814,498)	(12,422,751)
Net deferred income taxes	<u>\$ -</u>	<u>\$ -</u>

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**Geospatial Corporation and Subsidiaries**  
**Notes to Unaudited Financial Statements**  
**September 30, 2019**

**Note 6 – Net Income (Loss) Per Share of Common Stock**

Basic net income (loss) per share of common stock 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 income (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:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net income (loss)	\$ (247,282)	\$ (211,004)	\$ (815,620)	\$ (934,564)
Weighted average number of shares of common stock outstanding	366,455,262	316,231,105	350,391,184	305,154,311
Dilutive potential shares of common stock	366,455,262	316,231,105	350,391,184	305,154,311
Net income (loss) per share of common stock:				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ (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:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Series C Convertible Preferred Stock	72,891,560	72,891,560	72,891,560	72,891,560
Options and warrants to purchase common stock	2,594,737	8,257,065	4,171,545	8,257,065
Secured Promissory Note	95,172,575	83,512,850	92,281,600	68,761,757
Unsecured Promissory Notes		13,827,767	7,297,233	7,041,667
Total	<u>170,658,872</u>	<u>178,489,242</u>	<u>176,641,938</u>	<u>156,952,049</u>

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**Geospatial Corporation and Subsidiaries**  
**Notes to Unaudited Financial Statements**  
**September 30, 2019**

**Note 7 – Stock-Based Payments**

During the nine months ended September 30, 2019, the Company granted warrants to purchase 2,833,332 shares of the Company's common stock to investors in connection with investments in the Company's common stock.

During the nine months ended September 30, 2019, the Company granted 4,350,000 shares of the Company's common stock to consultants in consideration for services rendered. The Company recorded expense of \$65,250, the fair value of the services received.

During the nine months ended September 30, 2019, the Company granted stock appreciation rights on 2,100,000 shares of common stock to eligible employees pursuant to the 2013 Equity Incentive Plan.

#### **Note 8 – 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 Financial Accounting Standards Board Accounting Standards Codification ("ASC") 470-60, Troubled Debt Restructurings by Debtors, and ASC 405-20, Extinguishment of Liabilities, and recognizes gains to 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 have aged or are expected to age beyond the statute of limitations.

The Company is amortizing those liabilities over the remaining term of the statute of limitations. During the nine months ended September 30, 2019, the Company recorded gains on extinguishment of debt of \$78,121. No gains on extinguishment of debt were recorded during the nine months ended September 30, 2018.

#### **Note 9 – 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 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 \$76,067 and \$76,337 at September 30, 2019 and December 31, 2018, respectively. 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". The Company had no gain or loss from registration payment arrangements during the nine months ended September 30, 2019 and 2018.

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## **ITEM 2: MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of the Company and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.*

*Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in its other reports filed with the Securities and Exchange Commission. Important factors currently known to the Company could cause actual results to differ materially from those in forward-looking statements. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. The Company believes that its assumptions are based upon reasonable data derived from and known about its business and operations. No assurances are made that actual results of operations or the results of the Company's future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.*

The financial statements as of and for the years ended December 31, 2018 and 2017 include a summary of our significant accounting policies and should be read in conjunction with the discussion below. In the opinion of management, all material adjustments necessary to present fairly the consolidated results of operations for such periods have been included in these audited consolidated financial statements. All such adjustments are of a normal recurring nature.

### **Overview**

We provide cloud-based geospatial solutions to accurately locate and digitally map underground pipelines and other infrastructure in three dimensions. 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 planning to position our business to capitalize on the maturing market for positional data, including identifying new technologies for aggregating positional data, developing proprietary deliverables that enable the Company to deliver value to our customers quickly and inexpensively, and planning the strategies and processes for our upcoming marketing campaigns. We use financial and non-financial performance indicators to assess our business, including liquidity measures, revenues, gross margins, operating revenue, and backlog.

### **Results of Operations**

The following discussion should be read in conjunction with our financial statements for the periods ended September 30, 2019 and 2018 and the related notes thereto.

#### **Results of Operations for the Three and Nine months ended September 30, 2019 and 2018**

We had sales of \$129,800 and \$272,800 during the three and nine months, respectively, ended September 30, 2019. Cost of sales was \$38,827 and \$83,136 for the three and nine months, respectively, ended September 30, 2019. Sales were \$259,554 and \$700,122 during the three and nine months, respectively, ended September 30, 2018. Cost of sales was \$71,311 and \$169,891 for the three and nine months, respectively, ended September 30, 2018. Our sales have fluctuated throughout 2019 and 2018 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.

Selling, general, and administrative ("SG&A") expenses were \$260,602 and \$853,972 for the three and nine months, respectively, ended September 30, 2019. SG&A expenses were \$299,962 and \$1,151,087 for the three and nine months, respectively, ended September 30, 2018. The decreases in SG&A costs for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 were due to a decrease in payroll cost due to the resignation of our former chief executive officer and reductions in sales and technical headcount. The reduction in SG&A expense for the nine-month periods is also due to a decrease in insurance expense due to a reduction in insurance coverage.

Other income and expense for the three and nine months ended September 30, 2019 was net expense of \$77,653 for the three months ended September

30, 2019, which consisted entirely of interest expense, and net expense of \$151,312 for the nine months ended September 30, 2019, which included interest expense of \$229,484, gain on extinguishment of debt of \$78,121, and gain on foreign currency exchange of \$51. Other income and expense for the three and nine months ended September 30, 2018 was net expense of \$99,285 for the three months ended September 30, 2018, which included interest expense of \$100,060, and a gain on foreign currency exchange of \$775, and net expense of \$313,708 for the nine months ended September 30, 2018, which included interest expense of \$314,338, other income of \$1,711, a loss on disposal of equipment of \$1,856, and gain on foreign currency exchange of \$775. The decrease in interest expense in 2019 was due to amortization of deferred debt issuance costs on the Truitt Notes that were fully amortized in 2018. The Company had no such amortization expense in 2019. The gain on extinguishment of debt in 2019 was due to forgiveness of debt by our former chief executive officer upon his resignation.

Gains or expense 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 timely register the shares of common stock under the Securities Act timely 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 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 common 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 common stock decreases. We had no gains or losses related to registration payment arrangements during the three and nine months ended September 30, 2019 and 2018. We expect that income or expense related to registration payment arrangements will fluctuate as the price of our common stock and the estimate of the number of Penalty Shares to be issued fluctuate.

We had no benefit from income taxes during the three and nine months ended September 30, 2019 and 2018, as our deferred tax benefit was completely offset by a valuation allowance due to the uncertainty of realization of the benefit.

#### ***Liquidity and Capital Resources***

At September 30, 2019, we had current assets of \$104,080, and current liabilities of \$3,655,701. 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 September 30, 2019, current liabilities exceeded current assets by \$3,551,621, and total liabilities exceeded total assets by \$3,544,821. 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. Mr. Truitt was appointed as the Company's chief executive officer and chairman of the board of directors on June 12, 2019. 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.

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.

From January 1, 2019 through November 8, 2019, we sold approximately 21.7 million shares of common stock for a net consideration of approximately \$325,000, and issued approximately 4.4 million shares of common stock for services with a fair value of approximately \$65,000. In addition, we converted liabilities with a fair value of approximately \$222,000 to approximately 14.8 million shares of common stock. We also issued promissory notes totaling \$150,000 to Mr. Truitt for cash (the "2019 Truitt Notes"). The 2019 Truitt Notes require 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. In addition, Mr. Truitt exercised warrants to purchase 5.0 million shares of the Company's common stock for consideration of \$50,000.

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

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 have established a powerful cloud-based environment where we are developing proprietary deliverables that enable the Company to automate data processing and deliver value to our customers quickly and inexpensively. 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.

#### ***Off-Balance Sheet Arrangements***

The Company had no off-balance sheet arrangements as of September 30, 2019.

#### ***Contractual Obligations***

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, which require 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 timely 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 September 30, 2019, 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.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

**ITEM 4. CONTROLS AND PROCEDURES.**

*Disclosure Controls and Procedures*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the United States Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer (Principal Executive Officer) and the Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) and 15d-15(e). Based upon, and as of the date of this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are not currently involved in any pending or threatened material litigation or other material legal proceedings, nor have we been made aware of any pending or threatened regulatory audits.

**ITEM 1A. RISK FACTORS**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On September 20, 2019, the Company issued 5,000,000 shares of its common stock to its Chief Executive Officer upon exercise of warrants at an exercise price of \$0.01 per share for an aggregate sales price of \$50,000. The issuance 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 conducted the private placement without any general solicitation or advertisement, and with a restriction on resale.

The recipient of the securities in the transaction described above represented his intention 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 certificate issued in this transaction. The recipient has adequate access, through his relationships with us, to information about us.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company's Secured Promissory Notes, with an aggregate outstanding balance of approximately \$1,932,840 at September 30, 2019, were due on September 15, 2018. The Company failed to repay principal and interest due under the notes as required, and consequently incurred an Event of Default.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

Exhibit	Description
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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

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**SIGNATURES**

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

Date: November 18, 2019

Geospatial Corporation (Registrant)

By: /S/ DAVID M. TRUITT  
Name: **David M. Truitt**  
Title: **Chief Executive Officer**

By: /S/ THOMAS R. OXENREITER  
Name: **Thomas R. Oxenreiter**  
Title: **Chief Financial Officer**

EX-31.1 2 gs\_ex31z1.htm CERTIFICATION  
[GEOSPATIAL CORPORATION - 10-Q](#)

**Exhibit 31.1**

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

I, David M. Truitt, certify that:

- 1) I have reviewed this Quarterly Report for the quarter ended September 30, 2019 on Form 10-Q 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.
- 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: November 18, 2019

By: /s/ David M. Truitt  
Name: David M. Truitt  
Title: Chief Executive Officer (Principal Executive Officer)

EX-31.2 3 gs\_ex31z2.htm CERTIFICATION

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

I, Thomas R. Oxenreiter, certify that:

- 1) I have reviewed this Quarterly Report for the quarter ended September 30, 2019 on Form 10-Q 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.
- 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: November 18, 2019

By: /s/ Thomas R. Oxenreiter  
Name: Thomas R. Oxenreiter  
Title: Chief Financial Officer (Principal Financial Officer)

EX-32.1 4 gs\_ex32z1.htm CERTIFICATION

[GEOSPATIAL CORPORATION - 10-Q](#)

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 Quarterly Report of Geospatial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, David M. Truitt, 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 result of operations of the Company.

Date: November 18, 2019

By: /s/ David M. Truitt  
Name: David M. Truitt  
Title: Chief Executive Officer (Principal Executive Officer)

EX-32.2 5 gs\_ex32z2.htm CERTIFICATION

[GEOSPATIAL CORPORATION - 10-Q](#)

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 Quarterly Report of Geospatial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2019 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: November 18, 2019

By: /s/ Thomas R. Oxenreiter  
Name: Thomas R. Oxenreiter  
Title: Chief Financial Officer (Principal Financial Officer)