UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED:

MARCH 31, 2017 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)**	**87-0554463** **(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)

Check 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, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting 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	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES ☐ NO ☒

The number of $.001 par value common shares outstanding at May 9, 2017: 256,947,117.

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.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	3
ITEM 1. FINANCIAL STATEMENTS	3
ITEM 2. MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	15
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	17
ITEM 4. CONTROLS AND PROCEDURES	17
PART II - OTHER INFORMATION	18
ITEM 2. SALES OF UNREGISTERED EQUITY SECURITIES	18
ITEM 5. OTHER INFORMATION	19
ITEM 6. EXHIBITS	19

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GEOSPATIAL CORPORATION

INDEX

	Page
FINANCIAL STATEMENTS AS OF MARCH 31, 2017 AND DECEMBER 31, 2016 AND FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016	
Consolidated Balance Sheets (Unaudited)	4
Consolidated Statements of Operations (Unaudited)	5
Consolidated Statements of Changes in Stockholders' Deficit (Unaudited)	6
Consolidated Statements of Cash Flows (Unaudited)	7
Notes to Unaudited Consolidated Financial Statements	8

Geospatial Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,636	$ 66,992
Accounts receivable	75,400	65,800
Prepaid expenses and other current assets	77,743	140,105
Total current assets	220,779	272,897
Property and equipment:		
Field equipment	357,070	357,070
Field vehicles	43,285	43,285
Total property and equipment	400,355	400,355
Less: accumulated depreciation	(372,048)	(355,616)
Net property and equipment	28,307	44,739
Total assets	$ 249,086	$ 317,636
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 264,950	$ 274,319
Accrued expenses	927,859	813,197
Current portion of capital lease liability to related party	2,393	3,278
Notes payable	1,416,953	1,365,738
Accrued registration payment arrangement	254,457	522,115
Total current liabilities	2,866,612	2,978,647
Stockholders' deficit:		
Preferred stock:		
Undesignated, $0.001 par value; 10,000,000 shares authorized at March 31, 2017 and December 31, 2016; no shares issued and outstanding at March 31, 2017 and December 31, 2016	—	—
Series B Convertible Preferred Stock, $0.001 par value; 5,000,000 shares authorized at March 31, 2017 and December 31, 2016; no shares issued and outstanding at March 31, 2017 and December 31, 2016	—	—
Series C Convertible Preferred Stock, $0.001 par value; 10,000,000 shares authorized at March 31, 2017 and December 31, 2016; 3,644,578 and 4,543,654 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	3,645	4,544
Common stock, $.001 par value; 750,000,000 shares authorized at March 31, 2017 and December 31, 2016; 249,325,260 and 226,211,740 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	249,325	226,212
Additional paid-in capital	39,157,418	38,905,332
Additional paid-in capital, warrants	20,626	20,626
Accumulated deficit	(42,048,540)	(41,817,725)
Total stockholders' deficit	(2,617,526)	(2,661,011)
Total liabilities and stockholders' deficit	$ 249,086	$ 317,636

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

Geospatial Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2017	**2016**
Sales	$ 98,200	$ 181,200
Cost of sales	42,054	57,933
Gross profit	56,146	123,267
Selling, general and administrative expenses	482,643	379,823
Net loss from operations	(426,497)	(256,556)
Other income (expense):		
Interest expense	(72,469)	(63,219)
Gain on extinguishment of debt	13,693	74,918
Registration payment arrangements	254,458	492,583
Total other income	195,682	504,282
Net income (loss) before income taxes	(230,815)	247,726
Provision for income taxes	—	—
Net income (loss)	$ (230,815)	$ 247,726
Basic and fully-diluted net income (loss) per share of common stock	$ —	$ —

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 Three Months Ended March 31, 2017
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Additional Paid-In Capital, Warrants	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2016	4,543,654	$ 4,544	226,211,740	$ 226,212	$38,905,332	$ 20,626	$ (41,817,725)	$(2,661,011)
Sale of common stock, net of issuance costs	—	—	5,000,000	5,000	245,000	—	—	250,000
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 registration penalty	—	—	132,000	132	13,068	—	—	13,200
Issuance of convertible securities with beneficial conversion features	—	—	—	—	11,100	—	—	11,100
Net loss for the three months ended March 31, 2017	—	—	—	—	—	—	(230,815)	(230,815)
Balance, December 31, 2017	3,644,578	$ 3,645	249,325,260	$ 249,325	$39,157,418	$ 20,626	$ (42,048,540)	$(2,617,526)

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

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

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net income (loss)	$ (230,815)	$ 247,726
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	16,432	27,102
Amortization of discount on notes payable	26,917	21,941
Gain on extinguishment of debt	(13,693)	(74,918)
Accrued registration payment arrangement	(254,458)	(492,583)
Accrued interest payable	44,204	33,164
Changes in operating assets and liablities:		
Accounts receivable	(9,600)	(115,300)
Prepaid expenses and other current assets	62,362	4,562
Accounts payable	13,884	(62,148)
Accrued expenses	114,949	120,250
Due to related parties	—	(504)
Net cash used in operating activities	(229,818)	(290,708)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	—	250,000
Principal payments on notes payable	(18,653)	(42,866)
Principal payments on capital lease liabilities	(885)	(860)
Proceeds from sale of common stock, net of offering costs	250,000	—
Proceeds from sale of Series C Convertible Preferred Stock, net of offering costs	—	243,373
Net cash provided by financing activities	230,462	449,647
Net change in cash and cash equivalents	644	158,939
Cash and cash equivalents at beginning of period	66,992	16,962
Cash and cash equivalents at end of period	$ 67,636	$ 175,901
Supplemental disclosures:		
Cash paid during period for interest	$ 1,348	$ 8,114
Cash paid during period for income taxes	—	—
Non-cash transactions:		
Issuance of common stock for registration penalty	13,200	—
Liabilities settled by issuance of notes payable	9,560	—
Issuance of convertible securities with beneficial conversion features	11,100	62,500

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

Geospatial Corporation and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2017

Note 1 – Basis of Presentation

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 three months ended March 31, 2017 should be read in conjunction with the Company's Financial Statements as of and for the year ended December 31, 2016. In the opinion of the Company's management, all adjustments considered necessary for a fair statement 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 three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017, 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.

Note 2 – Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 2017	December 31, 2016
Payroll and taxes	$ 757,537	$ 632,678
Accounting	52,139	62,792
Contractors and subcontractors	10,227	10,227
Interest	1,863	2,150
Other	106,093	105,350
Accrued expenses	$ 927,859	$ 813,197

Note 3 – 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. Mr. Smith has agreed to suspend collection of rent effective April 1, 2016. The lease is cancellable by either party upon 30 days' notice. No rent will accrue during the suspension. The Company incurred no lease expense during the three months ended March 31, 2017, and $19,500 of lease expense during the three months ended March 31, 2016.

On November 9, 2012, the Company and Mr. Smith entered into a Lease Agreement, pursuant to which the Company leases a field vehicle from Mr. Smith. The lease is for 60 months, and is for substantially the same terms for which Mr. Smith leases the vehicle from the manufacturer. Interest on the lease amounted to $22 and $47 for the three months ended March 31, 2017 and 2016, respectively. The lease is recorded as a capital lease. At March 31, 2017, gross assets recorded under the lease and associated accumulated depreciation were $16,870 and $14,761, respectively. Future minimum payments under the capital lease are as follows as of March 31, 2017:

Balance of 2017	$ 2,419
Thereafter	—
Total minimum payments	2,419
Less: minimum interest payments	(26)
Minimum principal payments	$ 2,393

Note 4 – Notes Payable

Current notes payable consisted of the following:

	March 31, 2017	December 31, 2016
Secured Promissory Note, payable to an individual, bearing interest at 10% per annum, due January 31, 2017, net of discount. After January 31, 2017, the note bears interest at 20%. The note is convertible to common stock at 75% of the weighted average trading price, and is secured by substantially all the assets of the Company	$ 1,393,139	$ 1,332,920
Note payable under settlement agreement with vendors, payable monthly over 10 months, with no interest	8,560	—
Notes payable under settlement agreements with former employees, payable monthly with terms of up to twelve months, with interest rates ranging from 0% to 20%	15,254	32,818
Current notes payable	$ 1,416,953	$ 1,365,738

Note 5 – Income Taxes

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Current:		
Federal	$ —	$ —
State	—	—
	—	—
Deferred:		
Federal	(71,608)	(76,770)
State	(22,733)	(24,371)
	(94,341)	(101,141)
Total income taxes	(94,341)	(101,141)
Less: valuation allowance	94,341	101,141
Net income taxes	$ —	$ —

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Federal statutory rate	35.0%	35.0%
State income taxes (net of federal benefit)	6.5	6.5
Valuation allowance	(41.5)	(41.5)
Effective rate	0.0%	0.0%

Note 5 – Income Taxes (continued)

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.

	March 31, 2017	December 31, 2016
Start-up costs	$ 25,199	$ 35,033
Depreciation	(35,891)	(37,423)
Accrued expenses	240,716	745,103
Net operating loss carryforward	16,715,333	15,714,795
Deferred income taxes	16,945,357	16,457,508
Less: valuation allowance	(16,945,357)	(16,457,508)
Net deferred income taxes	$ —	$ —

At March 31, 2017, the Company had federal and state net operating loss carryforwards of approximately $38,820,000. The federal and state net operating loss carryforwards will expire beginning in 2021 and 2026, respectively. The amount of the state net operating loss carryforward that can be utilized each year to offset taxable income is limited by state law.

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 March 31, 2017	Three Months Ended March 31, 2016
Net income (loss)	$ (230,815)	$ 247,726
Weighted average number of shares of common stock outstanding	237,659,384	143,336,073
Dilutive potential shares of common stock	237,659,384	143,336,073
Net income (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:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Series C Convertible Preferred Stock	80,883,347	4,395,604
Options and warrants to purchase common stock	17,275,938	20,020,000
Secured Promissory Note	30,465,278	18,014,815
Total	128,624,563	42,430,419

Note 7 – Stock-Based Payments

During the three months ended March 31, 2017, the Company granted warrants to purchase 500,000 shares of the Company's common stock to investors at an exercise price of $0.065 in connection with investments in the Company's common stock.

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. Gains on extinguishment of debt amounted to $13,693 and $74,918 during the three months ended March 31, 2017 and 2016, respectively.

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 $254,457 and $522,115 at March 31, 2017 and December 31, 2016, 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 gains from registration payment arrangements of $254,458 and $492,583 during the three months ended March 31, 2017 and 2016, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") together with our financial statements and notes thereto as of and for the year ended December 31, 2016, filed with our Annual Report on Form 10-K on April 14, 2017, and our financial statements and notes thereto as of and for the three and nine months ended September 30, 2016, which appear elsewhere in this Quarterly Report on Form 10-Q.

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

Liquidity and Capital Resources

At March 31, 2017, we had current assets of $220,779, and current liabilities of $2,866,612.

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 March 31, 2017, current liabilities exceeded current assets by $2,645,833. We had no non-current liabilities at March 31, 2017. Those factors raise doubts about our ability to continue as a going concern.

In 2015, we converted our outstanding Senior Secured Redeemable Note with a balance due of approximately $1.6 million to shares of our common stock.

On January 16, 2015, we issued a Senior Secured Promissory Note to Horberg Enterprises LLC (the "Horberg Note") in the principal amount of $500,000. The Horberg Note was due on April 8, 2015, and accrued no interest through the due date. The Horberg note was secured by liens on all of our assets. We also issued the lender warrants to purchase 1.5 million shares of our common stock in consideration for it purchasing the Horberg Note. Proceeds from the issuance of the Horberg Note were used for working capital purposes. We repaid the Horberg Note on April 3, 2015.

On April 2, 2015, we issued a Secured Promissory Note to David M. Truitt (the "Truitt Note") in the principal amount of $1.0 million. The Truitt Note was originally due on October 2, 2015, and bears interest at 10% per annum. The Truitt Note is secured by liens on all our assets, and is convertible into shares of our common stock at the option of the holder. We also issued Mr. Truitt warrants to purchase 2.0 million shares of our common stock in consideration for him purchasing the Truitt Note. Proceeds from the issuance of the Truitt Note were used to repay the Horberg Note and for working capital purposes.

On January 27, 2016, we entered into an Agreement and Amendment with Mr. Truitt (the "Amended Truitt Note"), 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 Amended Truitt Note.

On March 16, 2016, we designated 10.0 million shares of preferred stock as Series C Convertible Preferred Stock ("Series C Stock"). Series C Stock is convertible to common stock at a conversion ratio of 20 shares of common stock for each share of Series C Stock, subject to adjustment for stock dividends, splits, and similar events. Series C Stock has a liquidation preference equal to its original issue price, and has voting rights equal to five times the number of shares of common stock into which the Series C Stock is convertible.

During the second quarter of 2016, we sold 1.5 million shares of Series C Stock to Mr. Truitt for $300,000. Also during the second quarter of 2016, we converted notes payable totaling approximately $197,000 to shares of Series C Stock, and we converted a note payable of approximately $54,000 to warrants to purchase common stock. We also converted approximately $1.3 million of our officers' accrued salaries to shares of common stock, and approximately $162,000 of other liabilities to our officers to shares of Series C Stock.

On August 12, 2016, we entered into an Agreement and Amendment with Mr. Truitt pursuant to which Mr. Truitt extended the due date of the Truitt Note to January 31, 2017. We issued Mr. Truitt warrants to purchase 12.0 million shares of our common stock in connection with the Agreement and Amendment. During the third quarter of 2016, we received $110,000 for the exercise of warrants to purchase 1.1 million shares of common stock, and converted liabilities of approximately $88,000 to approximately 2.8 million shares of common stock.

In the fourth quarter of 2016, we received $362,000 for the exercise of warrants to purchase 36.2 million shares of common stock. We also issued 1.0 million shares of common stock for services with a value of $100,000.

In the first quarter of 2017, we sold 5.0 million shares of common stock for $250,000. We failed to repay the Amended Truitt Note as required on January 31, 2017, and are in default under the terms of the Amended Truitt Note.

Management is continuing efforts to secure funding sufficient for the Company's operating and capital requirements through private sales of Series C Stock and 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 Amended Truitt Note and to fund general working capital needs.

We changed the focus of our company to position us to generate revenue from data acquisition and data management. We expanded our service offerings to provide data acquisition services utilizing twelve different technologies. We developed new, cloud-based mapping software to be marketed under our existing name GeoUndergound that replaces our previous version of GeoUnderground. We currently utilize GeoUnderground to deliver data to customers. We intend to offer GeoUnderground as a subscription-based stand-alone product beginning in 2017. 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

We had sales of $98,200 and $181,200 during the three months ended March 31, 2017 and 2016, respectively. Cost of sales were $42,054 and $57,933 for the three months ended March 31, 2017 and 2016, respectively. Our sales have fluctuated throughout 2017 and 2016 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 $482,643 and $379,823 for the three months ended March 31, 2017 and 2016, respectively. The increase in SG&A costs for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 was due to increases in payroll cost related to an increase in staffing, and professional fees due to investor relations expenses incurred in 2017. The increases in payroll cost and professional fees were partially offset by a decrease in rent expense due to a suspension of rent by effective April 1, 2016.

Other income and expense for the three months ended March 31, 2017 and 2016 were net income of $195,692 and $504,282, respectively, which included interest expense of $72,469 and $63,219, respectively, gains on extinguishment of debt of $13,693 and $74,918, respectively, and gains related to registration payment arrangements of $254,458 and $492,583, respectively.

The increase in interest expense in 2017 was due to interest on the Truitt Note, which increased due to a higher outstanding balance and a higher interest rate incurred after the due date of January 31, 2017.

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 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.

During the three months ended March 31, 2017 and 2016, we had gains related to registration payment arrangements of $254,458 and $492,583, respectively, due to decreases in the value of our common stock in both periods. 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 March 31, 2017 and 2016, 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 March 31, 2017.

Application of Critical Accounting Policies

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 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 March 31, 2017, 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 March 31, 2017, we had no open contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk—Interest rate risk refers to fluctuations in the value of a security resulting from changes in the general level of interest rates. We do not have significant short-term investments. Accordingly, we believe that we do not have a material interest rate exposure.

Foreign Currency Risk—Our functional currency is the United States dollar. We do not currently have any assets or liabilities denominated in foreign currencies. Consequently, we have no direct exposure to foreign currency risk.

Commodity Price Risk—Based on the nature of our business, we have no direct exposure to commodity price risk.

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 and Chief 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 and the Chief 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 March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. SALES OF UNREGISTERED EQUITY SECURITIES

Between January 31, 2017 and March 23, 2017, the Company sold 5,000,000 shares of its common stock, and issued warrants purchase 500,000 shares of common stock at an exercise price of $0.065, to five investors at a price of $0.05 per share, for an aggregate sales price of $250,000. 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.

On February 9, 2017, the Company issued 17,981,520 shares of its common stock to a holder of its Series C Convertible Preferred Stock upon conversion of 899,076 shares of Series C Convertible Preferred Stock. Such shares were issued pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) and/or Section 3(a)(9) of the Securities Act and/or Regulation D. The converting holder is an accredited investor, and the Company issued the shares without any general solicitation or advertisement, and with a restriction on resale.

On April 4, 2017, the Company issued 2,000,000 shares of its common stock to a consultant in exchange for services. The issuance was made pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act. The consultant 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.

On April 25, 2017, the Company issued 621,857 shares of its common stock to an investor upon exercise of warrants to purchase common stock. Such shares were issued pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) and/or Section 3(a)(9) of the Securities Act and/or Regulation D. The converting holder is an accredited investor, and the Company issued the shares 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 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.

ITEM 6. EXHIBITS

Exhibit	Description
31.1	Rule 13a-14(a) Certification of Mark A. Smith
31.2	Rule 13a-14(a) Certification of Thomas R. Oxenreiter
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

Geospatial Corporation
(Registrant)

Date: May 16, 2017	By:	/S/ MARK A. SMITH
	Name:	**Mark A. Smith**
	Title:	**Chief Executive Officer**
	By:	/S/ THOMAS R. OXENREITER
	Name:	**Thomas R. Oxenreiter**
	Title:	**Chief Financial Officer**

Exhibit 31.1

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

I, Mark A. Smith, certify that:

1. I have reviewed this Quarterly Report for the quarter ended March 31, 2017 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: May 16, 2017

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

Exhibit 31.2

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 March 31, 2017 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: May 16, 2017

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

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 March 31, 2017 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 result of operations of the Company.

Date: May 16, 2017

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

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 March 31, 2017 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: May 16, 2017

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