

VIASPACE Inc.
Form 10-Q
May 21, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2018

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 333-110680

VIASPACE INC.

(Exact name of small business issuer as specified in its charter)

Nevada 76-0742386
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
344 Pine Street, Santa Cruz, CA, 95062

(Address of principal executive offices)

(Former Address)

(626) 768-3360

(Issuer's telephone number)

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Indicate by check mark whether the registrant (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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an 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	Smaller reporting company
Emerging growth company	

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 3,646,830,188 shares of \$0.0001 par value common stock issued and outstanding as of May 21, 2018.

VIASPACE INC.

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FISCAL QUARTER ENDED MARCH 31, 2018

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIASPACE INC.

BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$-	\$4,000
Prepaid expenses	23,000	22,000
TOTAL CURRENT ASSETS	23,000	26,000
OTHER ASSETS:		
Investment in Almaden Energy Group	3,000	6,000
Other assets	1,000	1,000
TOTAL OTHER ASSETS	4,000	7,000
TOTAL ASSETS	\$27,000	\$33,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$87,000	\$83,000
Accounts Payable - Related Party	19,000	16,000
Accrued expenses	18,000	18,000
Unearned revenue	20,000	20,000
Related party payables	749,000	749,000
TOTAL CURRENT LIABILITIES	893,000	886,000
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' DEFICIT:		
Preferred stock, \$0.0001 par value in 2018 and 2017, 10,000,000 shares authorized, one share of Series A preferred stock issued and outstanding in 2018 and 2017	—	—
Common stock, \$0.0001 par value in 2018 and 2017, 3,900,000,000 shares authorized, 3,585,153,265 shares issued and 3,485,153,265 shares outstanding as of March 31, 2018, and 3,402,514,447 shares issued and 3,302,514,447 shares outstanding as of December 31, 2017	349,000	330,000
Additional paid in capital	53,175,000	53,136,000
Accumulated deficit	(54,390,000)	(54,319,000)
Total shareholders' deficit	(866,000)	(853,000)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$27,000	\$33,000

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

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VIASPACE INC.

STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
REVENUES	\$ 15,000	\$ 53,000
COST OF REVENUES	7,000	14,000
GROSS PROFIT (LOSS)	8,000	39,000
OPERATING EXPENSES		
Operations	16,000	4,000
Selling, general and administrative	32,000	212,000
Total operating expenses	48,000	216,000
LOSS FROM OPERATIONS	(40,000)	(177,000)
OTHER INCOME (EXPENSE)		
Interest expense	(28,000)	(42,000)
Other expense	(3,000)	(4,000)
Total other income (expense)	(31,000)	(46,000)
LOSS BEFORE INCOME TAXES	(71,000)	(223,000)
INCOME TAXES	—	—
NET LOSS	\$(71,000)	\$(223,000)
LOSS PER SHARE OF COMMON		
STOCK – Basic and diluted	\$0.00	\$0.00
WEIGHTED AVERAGE SHARES		
OUTSTANDING – Basic and		
diluted	3,485,613,929	2,878,744,837

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

VIASPACE INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(71,000)	\$(223,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock option and stock compensation	—	97,000
Stock issued for consulting expense	1,000	1,000
Amortization of prepaid expenses		6,000
Amortization of discounts on notes payable	28,000	41,000
Loss on minority investment in Almaden Energy Group	3,000	4,000
(Increase) decrease in operating assets:		
Accounts receivable	—	(30,000)
Prepaid expenses and other assets	(1,000)	—
Increase (decrease) in operating liabilities:		
Accounts payable	5,000	12,000
Accounts Payable - Related Party	3,000	—
Accrued expenses and other	—	(2,000)
Related party	—	34,000
Net cash used in operating activities	(32,000)	(60,000)
CASH FLOWS FROM INVESTING ACTIVITIES	—	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable- related party	28,000	41,000
Stock issued for investment by non-related parties	-	5,000
Net cash provided by financing activities	28,000	46,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,000)	(14,000)
CASH AND CASH EQUIVALENTS, Beginning of period	4,000	19,000
CASH AND CASH EQUIVALENTS, End of period	\$-	\$5,000
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$—	\$—
Income taxes	\$—	\$—

Supplemental Disclosure of Non-Cash Activities for 2018:

The Company recorded a discount on loans from Dr. Schewe and Haris Basit of \$27,975 as a result of a beneficial conversion feature. During 2017, Dr. Schewe and Haris Basit converted loans of \$27,975 to equity.

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- The Company issued 100,000,000 shares of the Company's common stock for future funding source but was not recorded to prepaid expenses since the shares were not cleared at March 31, 2018.

Supplemental Disclosure of Non-Cash Activities for 2017:

- The Company issued 100,000,000 shares of the Company's common stock for future funding source but was not recorded to prepaid expenses since the shares were not cleared at March 31, 2017.
- The Company cleared 50,000,000 shares of the Company's common stock for future services valued at \$75,000.
- The Company recorded a discount on loans from Dr. Schewe and Haris Basit of \$41,000 as a result of a beneficial conversion feature. During 2017, Dr. Schewe and Haris Basit converted loans of \$41,000 to equity.

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

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VIASPACE INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business – VIASPACE Inc. (“we”, “us”, “VIASPACE”, or the “Company”) was founded in July 1998. Its business involves renewable energy and is based on biomass, in particular our license to a dedicated energy crop with the trademark “Giant King® Grass” (“GKG”). Through a license for GKG we obtained from Guangzhou Inter-Pacific Arts Corp., a Chinese wholly-owned foreign enterprise registered in Guangdong province (“IPA China”) which is owned by VIASPACE Green Energy Inc. (“VGE”), we are able to commercialize GKG throughout the world, except for the People’s Republic of China (“China”) and the Republic of China (“Taiwan”).

GKG can be burned in 100% biomass power plants to generate electricity; made into pellets that can be burned together with coal to reduce carbon emissions from existing power plants; generate bio methane through anaerobic digestion, and can be used as a feedstock for low carbon liquid biofuels for transportation, biochemicals and bio plastics. Cellulosic ethanol, bio butanol and other liquid cellulosic biofuels, do not use corn or other food sources as feedstock. GKG can also be used as animal feed. GKG and other plants absorb and store carbon dioxide from the atmosphere as they grow. When they are burned, they release the carbon dioxide back into the atmosphere, but it is the same carbon dioxide that was removed from the atmosphere, and so this process is carbon neutral. Small amounts of fossil fuel are used by the farm equipment, transportation of GKG and fertilizer, so that the overall process of growing and burning GKG probably has some net carbon dioxide emissions, but much lower emissions than burning coal or other fossil fuels directly to create the same amount of energy. GKG has been independently tested by customers and been shown to have excellent energy content, high bio methane production, and the cellulosic sugar content needed for biofuels and biochemicals.

Going Concern – The Company has incurred significant losses from operations, resulting in an accumulated deficit of \$54,390,000. The Company expects such losses to continue. However, on November 30, 2016, the Company entered in a Loan Agreement with Vice Chairman Haris Basit whereby he agreed to fund the Company \$100,000 over a two-year period. In addition, on February 23, 2017, the Company entered in a Loan Agreement with CEO Kevin Schewe whereby he agreed to fund the Company \$100,000 over a two-year period. In addition, on July 25, 2017, the Company entered in a Loan Agreement with CTO Carl Kukkonen whereby he agreed to fund the Company \$25,000 over a two-year period. The Company expects loans from Mr. Basit, Dr. Schewe and Dr. Kukkonen and revenue generated from future contracts using the license it has for Giant King Grass to fund operations for the foreseeable future. However, no assurance can be given that Mr. Basit, Dr. Schewe or Dr. Kukkonen will continue to fund the Company or that sales contracts will be obtained in the future, or if they are obtained, that they will be profitable. Accordingly, there continues to be substantial doubt as to the Company’s ability to continue as a going concern. The financial statements do not include any other adjustments that might result from the outcome of these uncertainties.

Basis of Presentation – The unaudited interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

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These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2017 and notes thereto included in the Company's annual report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

Recent Accounting Standards – In May 2014, FASB and the International Accounting Standards Board jointly issued a new revenue recognition standard that is designed to improve financial reporting by creating common recognition guidance for U.S. GAAP and International Financial Reporting Standards. The new guidance issued under Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606", "ASU 2014-09") provides a more robust framework for addressing revenue issues, improves the comparability of revenue recognition practices across industries, provides more useful information to users of financial

statements through improved disclosure requirements and simplifies the presentation of financial statements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance permits the use of either of the following transition methods: (i) a full retrospective method reflecting the application of the standard in each prior reporting period with the option to elect certain practical expediciencies, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption, with additional footnote disclosures. The original effective date of the new standard was for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In August 2015, the FASB issued an ASU that deferred by one year the effective date of this new revenue recognition standard. As a result, the new standard was effective for annual reporting periods beginning after December 15, 2017, although companies could have adopted the standard as early as the original effective date. Early application prior to the original effective date was not permitted. In the first quarter of 2018, the Company adopted the standard utilizing the modified retrospective adoption method in order to provide for comparative results in all periods presented.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

NOTE 2 – PREPAID EXPENSES

The Company has entered into agreements with certain of its consultants and vendors whereby the Company issued unregistered shares of common stock in exchange for services to be provided to the Company. The Company has engaged a third-party provider to pay certain expenses of the Company on behalf of the Company. As compensation for the payment of these expenses on behalf of the Company, the Company pays the provider in shares of common stock equivalent to the expense paid plus a fee equal to 15% of the expense paid. During 2017, the third-party provider cleared 50,000,000 shares of the Company's common stock for future services valued at \$75,000. As of March 31, 2018 and December 31, 2017, included in prepaid expenses for this third-party provider is \$22,000 and \$22,000, respectively, for shares of stock issued to the provider in excess of amounts paid on the Company's behalf.

Other prepaid expenses (non-stock related) were \$1,000 and \$0 at March 31, 2018 and December 31, 2017, respectively.

NOTE 3 – REVENUES

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We did not have a cumulative impact as of January 1, 2018 due to the adoption of Topic 606 and there was not an impact to our statement of operations for the three months ended March 31, 2018 as a result of applying Topic 606.

Note 4 – Investment in Almaden Energy Group

The investment in Almaden Energy Group, LLC (“AEG”) represents an 18.75% interest in that company’s outstanding membership interest units which became effective April 15, 2015. The Company originally

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accounted for this investment by the cost method because the membership interest units of AEG are unlisted and the criteria for using the equity method of accounting are not satisfied as the Company is not able to exercise significant influence over AEG. However, upon the Company hiring the CEO of AEG as its CEO in July 2015, the Company changed the method of its investment in AEG to the equity method. Dividends are recognized in income when declared and totaled \$0 for 2018 and 2017. The carrying value of the investment is \$3,000 and \$6,000 as of March 31, 2018 and December 31, 2017, respectively. We recorded other expense of approximately \$3,000 in the Company's Statements of Operation during the three months ended March 31, 2018, related to a loss on investment in AEG. See Note 8 for additional related party transactions with AEG.

NOTE 5 – CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES

Loan Agreement with Haris Basit

Effective November 30, 2016, the Company entered into a Loan Agreement with Director Haris Basit whereby Mr. Basit agreed to loan up to \$100,000 to the Company over a two-year period based on requests from the Company. Each individual loan will accrue interest at 8% per annum. Each note would mature on the first anniversary of the issuance date of such note. Each note is convertible at Mr. Basit's request, into a fixed number of shares of the Company's common stock based on the closing price of the Company's common stock for the twenty trading days prior to the issuance of the loan, less an 80% discount. The Loan Agreement states that Mr. Basit will not convert any loan into a number of shares that would exceed the number of available authorized common shares calculated as of the date of the conversion. As a result, the conversion feature is not deemed to be a derivative instrument subject to bifurcation.

During the three months ended March 31, 2018, Mr. Basit made loans of \$12,975 to the Company. The Company recorded a discount on the loans of \$12,975 as a result of a beneficial conversion feature, which will be amortized over the term of the note on a straight-line basis, which approximates the effective interest method. During 2018, Mr. Basit converted loans totalling \$12,975 into 82,999,602 common shares of the Company. At the time of the conversions, the company recorded the discount as additional interest expense. There are \$0 loans outstanding at March 31, 2018. As of March 31, 2018, the Company had remaining availability under the note of \$14,525.

Loan Agreement with Kevin Schewe

Effective February 23, 2017, the Company entered into a Loan Agreement with CEO Kevin Schewe whereby Dr. Schewe agreed to loan up to \$100,000 to the Company over a two-year period based on requests from the Company. Each individual loan will accrue interest at 8% per annum. Each note would mature on the first anniversary of the issuance date of such note. Each note is convertible at Dr. Schewe's request, into a fixed number of shares of the Company's common stock based on the closing price of the Company's common stock for the twenty trading days prior to the issuance of the loan, less an 80% discount. The Loan Agreement states that Dr. Schewe will not convert any loan into a number of shares that would exceed the number of available authorized common shares calculated as of the date of the conversion. As a result, the conversion feature is not deemed to be a derivative instrument subject to bifurcation.

During the three months ended March 31, 2018, Dr. Schewe made loans of \$15,000 to the Company. The Company recorded a discount on the loans of \$15,000 as a result of a beneficial conversion feature, which will be amortized over the term of the note on a straight-line basis, which approximates the effective interest method. During 2018, Dr. Schewe converted loans totalling \$15,000 into 98,039,216 common shares of the Company. At the time of the conversions, the company recorded the discount as additional interest expense. There are \$0 loans outstanding at March 31, 2018. As of March 31, 2018, the Company had remaining availability under the note of \$5,000.

Loan Agreement with Carl Kukkonen

Effective July 25, 2017, the Company entered into a Loan Agreement with CTO Carl Kukkonen whereby Dr. Kukkonen agreed to loan up to \$25,000 to the Company over a two-year period based on requests from the Company. Each individual loan will accrue interest at 8% per annum. Each note would mature on the first anniversary of the issuance date of such note. Each note is convertible at Dr. Kukkonen's request, into a fixed number of shares of the Company's common stock based on the closing price of the Company's common stock for the twenty trading days prior to the issuance of the loan, less an 80% discount. The Loan Agreement states that Dr. Kukkonen will not convert any loan into a number of shares that would exceed the number of available authorized common shares calculated as of the date of the conversion. As a result, the conversion feature is not deemed to be a derivative instrument subject to bifurcation.

During the three months ended March 31, 2018, Dr. Kukkonen made loans of \$0 to the Company and there are \$0 loans outstanding at March 31, 2018. As of March 31, 2018, the Company had remaining availability under the note of \$13,500.

NOTE 6 – STOCKHOLDERS' EQUITY

Preferred Stock

At March 31, 2018 and December 31, 2017, the number of authorized shares of the Company's preferred stock was 10,000,000. The par value of the preferred stock is \$0.0001.

At March 31, 2018 and December 31, 2017, there is one share of Series A Preferred Stock outstanding.

Common Stock

As of January 1, 2018, the number of authorized shares of the Company's common stock was 3,900,000,000. The par value of the common stock is \$0.0001.

During 2017, the Company issued 50,000,000 unregistered restricted shares of common stock respectively to a funding source so that the funding source can pay for future expenses on behalf of the Company. The shares are issued to the funding source to cover the amount of future expenses plus a fee of 15% of such future expenses. At the time of the future payment of the expenses incurred by the Company, the common stock and additional paid in capital are credited for the amount of the future payment plus 15%. During the period ending March 31, 2018, there is no accounting impact from this transaction because the shares remain in the Company's possession.

During 2018, the Company issued 1,600,000 shares of common stock to a consultant of the Company. The shares were issued at fair market value of approximately \$960 on the date of the issuance.

During 2018, the Company issued 98,039,216 shares of common stock to CEO Kevin Schewe as he converted loans into shares of common stock as allowed under an agreement he has with the Company as discussed in Note 5. During 2018, the Company issued 82,999,602 shares of common stock to Director Haris Basit as he converted loans into shares of common stock as allowed under an agreement he has with the Company as discussed in Note 5.

As of March 31, 2018, there were 3,485,153,265 shares of common stock outstanding.

NOTE 7 – NET LOSS PER SHARE

The Company computes net loss per share in accordance with FASB ASC Topic 260. Under its provisions, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings would customarily include, if dilutive, potential shares of common stock issuable upon the exercise of stock options and warrants. The dilutive effect of outstanding stock options and warrants is reflected in earnings per share in accordance with FASB ASC Topic 260 by application of the treasury stock method. For the periods presented, the computation of diluted loss per share was equal to basic loss per share as the inclusion of any dilutive instruments would have had an antidilutive effect on the earnings per share calculation in the periods presented.

The following table sets forth common stock equivalents (potential common stock) at March 31, 2018 and 2017 that are not included in the loss per share calculation since their effect would be anti-dilutive for the periods indicated:

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	2018	2017
Stock Options	449,480,000	399,480,000

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The following table sets forth the computation of basic and diluted net loss per share for 2017 and 2016, respectively:

	For the Three Months Ended	
	March 31,	
	2018	2017
Basic and diluted net loss		
per share:		
Numerator:		
Net loss attributable to		
common stock	\$(71,000)	\$(223,000)
Denominator:		
Weighted average shares of		
common stock outstanding	3,485,613,929	2,878,744,837
Net loss per share of common		
stock, basic and diluted	\$0.00	\$0.00

NOTE 8 – RELATED PARTY TRANSACTIONS

Included in the Company’s balance sheets at March 31, 2018 and December 31, 2017 are Related Party Payables of \$749,000 and \$749,000, respectively. The Company has a payable of \$689,000 and \$640,000, at March 31, 2018 and December 31, 2017 owed to Dr. Carl Kukkonen, CTO. Of the amount owed to Dr. Kukkonen, there is a cash component totalling \$185,000 and a common stock component totalling \$504,000. Dr. Kukkonen deferred a portion of his 2009, 2010 and 2011 stock awards and is entitled to the following unregistered shares of Company common stock at March 31, 2018: 11,195,707 shares for deferred 2009 compensation; 8,467,939 shares for deferred 2010 compensation; and 24,730,678 shares for deferred 2011 compensation. The Company also owes Director Haris Basit \$60,000 at March 31, 2018, representing salary earned but not paid. Mr. Basit was also granted 18,750,000 options at March 31, 2017, and no options were issued during 2018. In addition, at March 31, 2018 there are Other Related Party Payables owed to Dr. Kukkonen, in the amount of \$2,000, to Mr. Basit, in the amount of \$9,000 and to Mr. Nicholas Stoll, in the amount of \$8,000.

The Company has a loan agreement with CEO Dr. Kevin Schewe, Director Haris Basit and CTO Carl Kukkonen which is described in Note 5.

On April 13, 2015, the Company entered into a Giant King Grass supply contract with Almaden Energy Group, LLC. (“AEG”). AEG is developing an animal feed project in the United States for the domestic and global market. The Company granted AEG a license to grow Giant King Grass only for animal feed, nursery and research purposes anywhere within the 48 contiguous United States. AEG is permitted to sell Giant King Grass anywhere in the world with the exception of the State of Hawaii. The CEO of AEG is also the former CEO and current member of the Board of Directors of the Company. For the three months ended March 31, 2018 and 2017, the Company recorded \$0 and \$0, respectively, in revenues from AEG. At March 31, 2018, the Company has an 18.75% equity ownership in AEG and one designated board seat provided that the Company maintains an equity ownership position greater than 5%. At March 31, 2018, the Company recorded \$3,000 as an Investment in AEG on its Balance Sheet under equity method of accounting (see Note 3).

On June 1, 2017, the Company acquired a 2.91% interest in Clean Energy Solutions, LLC's ("CES") outstanding membership interest units. The Company has accounted for this investment by the cost method because the membership interest units of that company are unlisted and the criteria for using the equity method of accounting are not satisfied as the Company is not able to exercise significant influence over CES. CES is a customer of the Company who is in discussion for future GKG contracts. At March 31, 2018, the Company's interest in CES is recorded at \$0.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Leases

The Company currently has no long term office lease. The Company terminated its lease on land in San Diego County, California on August 31, 2017, where it grew Giant King Grass. Rent and utility expense charged to operations for the three months ended March 31, 2018 and 2017, was \$0 and \$3,000, respectively.

Collaborative Agreements

We are a party to certain collaborative agreements with various entities for the joint operation of test plots to establish that GKG grows well in the area and optimal agronomic practices are developed. These agreements are in the form of development collaborations and licensing agreements. Under these agreements, we have granted rights to grow and use of GKG. In return, we are entitled to receive certain payments for the operations of the test plots and license fees on the harvesting of GKG should it ultimately be commercialized.

All of our collaborative agreements are subject to termination by either party, without significant financial penalty. Under the terms of these agreements, upon a termination we are entitled to reacquire all rights in our technology at no cost and are free to re-license the technology to other collaborative partners.

Revenue earned from collaborative agreements is comprised of negotiated payments for the establishment, evaluation and operations of GKG test plots. Deferred revenue represents customer payments received which are related to future performance. Generally, for collaborative agreements establishing test plots, the Company recognizes revenue only after the Giant King Grass is planted in the customer's location. Until that time any money received is recorded as deferred revenue. During the three months ended March 31, 2018 and 2017, the Company received no payments under these collaborative agreements. The Company recognized no revenue from these collaborative agreements for the three months ended March 31, 2018 and 2017.

Global Supply, License, and Commercialization Agreement

Executed on April 4, 2016 and effective as of March 28, 2016, the Company, VGE and Guangzhou Inter-Pacific Arts Corp., a Chinese wholly-owned foreign enterprise registered in Guangdong province ("IPA") owned by VGE, entered into the Global Supply, License, and Commercialization Agreement (the "New Agreement").

Prior to the New Agreement, IPA and VGE had entered into a certain Supply and Commercialization Agreement dated September 30, 2012 regarding a license and supply arrangement between IPA and VGE regarding Giant King Grass ("IPA-VGE Agreement"). In turn, VGE and the Company also entered into a certain Supply and Commercialization Agreement dated September 30, 2012 regarding a license and supply arrangement between VGE and the Company regarding Giant King Grass ("VGE-VIASPACE Agreement").

Under the New Agreement, VGE and the Company terminated the VGE-VIASPACE Agreement and IPA directly granted the Company an exclusive, perpetual license to commercialize its intellectual property rights to three (3) types of high yield, non-genetically modified grasses ("Three GK Grasses") throughout the world except Cambodia, People's Republic of China, Taiwan, Thailand, Myanmar, Malaysia, Laos, Vietnam and Singapore ("VIASPACE Territory"). It and VGE agreed to subordinate the terms of the IPA-VGE Agreement to the terms of the New Agreement. IPA also granted the right to use and market the name "Giant King Grass" and other related names.

The Company would owe royalty payments on the Net Sales of the Three GK Grasses. This license would be sublicenseable in the VIASPACE Territory. IPA held all rights of ownership to the Three GK Grasses. The Company would own any grasses resulting from any modifications or improvements to the Three GK Grasses. IPA would use commercially reasonable efforts to maintain its intellectual property rights. The Company would use commercially reasonable efforts to commercialize the Three GK Grasses throughout the VIASPACE Territory.

Employment Agreements

On July 25, 2017, the Company announced that effective July 31, 2017, Haris Basit resigned as CEO of the Company to move to a position leading a Silicon Valley based technology company. Mr. Basit became Vice-Chairman of the Company's Board of Directors and thus continues to be involved in the overall strategic direction of the Company. During this transition of leadership, Dr. Kevin Schewe, who is the largest shareholder of the Company and Board

Chairman, became the acting CEO.

Litigation

The Company is not party to any material legal proceedings at the present time.

NOTE 10 – SUBSEQUENT EVENTS

On April 24, 2018, the Company issued 1,600,000 shares of common stock to a consultant of the Company. The shares were issued at fair market value of approximately \$1,000 on the date of the issuance.

On April 24, 2018, Mr. Haris Basit, Direct of the Company, advanced \$14,525 pursuant to a convertible loan agreement and immediately converted the \$14,525 loan into 44,692,308 shares of Company common stock at a conversion price of \$0.000325 per common share.

On April 24, 2018, Dr. Kevin Schewe, CEO of the Company, advanced \$5,000 pursuant to a convertible loan agreement and immediately converted the \$5,000 loan into 15,384,615 shares of Company common stock at a conversion price of \$0.000325 per common share.

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

The following discussion contains certain statements that constitute "forward-looking statements". Such statements appear in a number of places in this Report, including, without limitation, "Management's Discussion and Analysis of Financial Condition or Plan of Operation." These statements are not guarantees of future performance and involve risks, uncertainties and requirements that are difficult to predict or are beyond our control. Our future results may differ materially from those currently anticipated depending on a variety of factors, including those described below under "Risks Related to Our Future Operations" and our filings with the Securities and Exchange Commission. The following should be read in conjunction with the unaudited Financial Statements and notes thereto that appear elsewhere in this Report and in conjunction with our 2016 Annual Report on Form 10-K as filed with the SEC.

VIASPACE Overview

Description of Business – VIASPACE Inc. ("we", "us", "VIASPACE", or the "Company") was founded in July 1998. Its business involves renewable energy and is based on biomass, in particular our license to a dedicated energy crop with the trademark "Giant King® Grass" ("GKG"). Through a license for GKG we obtained from Guangzhou Inter-Pacific Arts Corp., a Chinese wholly-owned foreign enterprise registered in Guangdong province ("IPA China") which is owned by VIASPACE Green Energy Inc. ("VGE"), we are able to commercialize GKG throughout the world, except for the People's Republic of China ("China") and the Republic of China ("Taiwan").

GKG can be burned in 100% biomass power plants to generate electricity; made into pellets that can be burned together with coal to reduce carbon emissions from existing power plants; generate bio methane through anaerobic digestion, and can be used as a feedstock for low carbon liquid biofuels for transportation, biochemicals and bio plastics. Cellulosic ethanol, bio butanol and other liquid cellulosic biofuels, do not use corn or other food sources as feedstock. GKG can also be used as animal feed. GKG and other plants absorb and store carbon dioxide from the atmosphere as they grow. When they are burned, they release the carbon dioxide back into the atmosphere, but it is the same carbon dioxide that was removed from the atmosphere, and so this process is carbon neutral. Small amounts of fossil fuel are used by the farm equipment, transportation of GKG and fertilizer, so that the overall process of growing and burning GKG probably has some net carbon dioxide emissions, but much lower emissions than burning coal or other fossil fuels directly to create the same amount of energy. GKG has been independently tested by customers and been shown to have excellent energy content, high bio methane production, and the cellulosic sugar content needed for biofuels and biochemicals.

Critical accounting policies and estimates

Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" ("FRR60") issued by the SEC, suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy critical if it is important to the Company's financial condition and results of operations, and requires significant judgment and estimates on the part of management in its application. For a summary of the Company's significant accounting policies, including the critical accounting policies discussed below, see the accompanying notes to the financial statements.

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. The following accounting

policies discussed below require significant management judgments and estimates.

The Company has four revenue models for GKG: 1. grass plantation integrated with a power plant or processing facility such as a pellet mill under company or joint venture control; 2. contract plantation establishment, support and licensing for a customer that owns and operates the plantation and power plant; 3. collaborative agreements to establish a test plot in the customer's location to determine that GKG grows sufficiently for the

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customer to use in their particular application; and 4. consulting agreement services for customers considering the establishment of a grass plantation in their particular country or location. Revenue earned from collaborative agreements is comprised of negotiated payments for the operations of the test plots. Deferred revenue represents payments received which are related to future performance. For the three months ended March 31, 2018 and 2017, the Company has recognized revenues under revenue models 3 and 4.

With regard to revenue recognition in connection with agreements that include multiple deliverables, management reviews the relevant terms of the agreements and determines whether such deliverables should be accounted for as a single unit of accounting in accordance with FASB ASC 605-25, Multiple-Element Arrangements. If it is determined that the items do not have stand-alone value, then such deliverables are accounted for as a single unit of accounting and any payments received pursuant to such agreement, including any upfront or development milestone payments and any payments received for support services, will be deferred and included in deferred revenue within our balance sheet until such time as management can estimate when all of such deliverables will be delivered, if ever. Management reviews and reevaluates such conclusions as each item in the arrangement is delivered and circumstances of the development arrangement change.

The Company accounts for equity instruments issued to consultants and vendors in exchange for goods and services in accordance with the provisions of FASB ASC Topic 505-50, "Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods or Services" and "Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other than Employees". The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with FASB ASC Topic 505-50, an asset acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, the Company records the fair value of the fully vested, non-forfeitable common stock issued for future consulting services as prepaid expenses in its balance sheet.

The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There is no assurance that actual results will not differ from these estimates.

Results of Operations

Three Months Ended March 31, 2018 Compared to March 31, 2017

Revenues

Revenues were \$15,000 and \$53,000 for the three months ended March 31, 2018 and 2017, respectively, a decrease of \$38,000. The revenues relate to collaborative agreements for the joint operation of test plots to establish whether Giant King Grass grows well in the applicable customer's countries and optimal agronomic practices are developed, and also for consulting and engineering work performed for customers requesting assistance in power plant design and feasibility studies for customers considering using Giant King Grass in their energy project.

Cost of Revenues

Costs of revenues were \$7,000 and \$14,000 for the three months ended March 31, 2018 and 2017, respectively, a decrease of \$7,000. The costs incurred by the Company to support the collaborative agreements and the consulting and engineering work include travel costs and external consulting costs. The Company will send personnel or

consultants to oversee the initial plantings of Giant King Grass at the customer's locations.

Gross Profit

The resulting effect on these changes in revenues and cost of revenues for the three months ended March 31, 2018 compared to the same period in 2017 was a decrease in gross profit from a gross profit \$39,000 for the three months ended March 31, 2017 to a gross profit of \$8,000 for the three months ended March 31, 2018, a decrease of \$31,000.

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Operations Expenses

Operations expenses were \$16,000 and \$4,000 for the three months ended March 31, 2018 and March 31, 2017, an increase of \$12,000. Labor and consulting costs were \$12,000 in 2018, higher than 2017 as the Company hired more labor to work in a new Giant King Grass development project at the Hawaii Agricultural Research Center (HARC). Water, travel and rent costs were \$4,000, the same in 2018 as 2017. Operations expenses consist of plantation expenses related to the Company's test plot in Hawaii and costs associated with agronomy support and travel for potential customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$32,000 and \$212,000 for the three months ended March 31, 2018 and 2017, respectively, a decrease of \$180,000. Stock option compensation expense decreased \$97,000 in 2018 as compared with 2017 because no stock options were granted in 2018. Payroll and benefit costs were lower by \$87,000 in 2018 compared with the same period of 2017 as all employee contracts were terminated in Q3 of 2017. Consulting fees, insurance, accounting and legal fees and other administrative expenses increased by a combined \$4,000 in 2018 as compared with 2017.

Loss from Operations

The resulting effect on these changes in gross profits, operations expenses, and selling, general and administrative expenses was a decrease in loss from operations in 2017. For the three months ended March 31, 2018, the Company had a loss from operations of \$40,000 compared with a loss from operations of \$177,000 for the three months ended March 31, 2017, a decrease of \$137,000.

Interest Expense

Interest expense was \$28,000 and \$42,000 for the three months ended March 31, 2018 and 2017, respectively, a decrease of \$14,000. This is due to a decrease in the amount of the discount recognized in 2018 as compared to 2017, related to decreased officer convertible loans made to the Company in 2017.

Other Expenses

The Company recorded other expense of \$3,000 for the three months ended March 31, 2018 and \$4,000 for the same period in 2017, a decrease of \$1,000. The decrease is related to a decrease in the fair value of the Company's minority interest in AEG.

Liquidity and Capital Resources

The Company's net loss for the three months ended March 31, 2018 was \$71,000. Non-cash expenses totalled \$32,000 for the three months ended March 31, 2018 due to amortization of debt discount and loss on minority interest. Changes in operating assets and liabilities increased cash by \$7,000 in 2018. Net cash used by operating activities for operations was \$32,000 for the three months ended March 31, 2018.

The Company has incurred significant losses from operations, resulting in an accumulated deficit of \$54,390,000 at March 31, 2018. The Company expects such losses to continue. However, on November 30, 2016, the Company entered in a Loan Agreement with its former CEO Haris Basit whereby he agreed to fund the Company \$100,000 over a two-year period. In addition, on February 23, 2017, the Company entered in a Loan Agreement with Director and acting CEO Kevin Schewe whereby he agreed to fund the Company \$100,000 over a two-year period. In addition, on July 25, 2017, the Company entered in a Loan Agreement with CTO Carl Kukkonen whereby he agreed to fund the Company \$25,000 over a two-year period. The Company received \$15,000 from Dr. Schewe related to these Loan

Agreements during the three months ended March 31, 2018. The Company received \$12,975 from Mr. Basit related to these Loan Agreements during the three months ended March 31, 2018.

As of filing date of this Form 10-Q, the Company had remaining availability under under Dr. Kukkonen's note of \$13,500. The Company expects contracts related to Giant King Grass, loans from Dr. Kukkonen, and occasional direct purchases of stock from investors to fund the operations of the Company for the foreseeable future. However, no assurance can be given that Dr. Schewe, Mr. Basit or Dr. Kukkonen will continue to fund the Company or that sales contracts will be obtained in the future, or if they are obtained, that they will be profitable. Accordingly, there continues to be substantial doubt as to the Company's ability to continue as a going concern. The financial statements do not include any other adjustments that might result from the outcome

of these uncertainties. Additionally, based upon our current policy of investing any available cash back into our operations, we do not plan to distribute any cash to our shareholders in the foreseeable future.

Contractual Obligations

There are no long-term contractual obligations.

Employment Agreements

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, former CEO and current Vice-Chairman of the Board of Directors of the Company. Mr. Basit will receive \$120,000 per annum and be entitled to a bonus as determined by the Company's Board of Directors and reimbursement for out-of-pocket expenses in the course of his employment. Additionally, Mr. Basit is to receive 20 business days paid leave per year. On July 10, 2015, the Company agreed to issue Mr. Basit 25,000,000 stock options at fair market value based on the closing price of the Company's common stock as traded on the OTC Market as of July 10, 2015. These stock options are vested immediately but otherwise shall be subject to the terms of the 2015 option plan. Additionally, the Company agreed to issue Mr. Basit 18,750,000 stock options to be issued every three months (quarterly) over the term of his employment agreement which runs from July 10, 2015 through July 9, 2017, with the first issuance on October 10, 2015, at fair market value based on the closing price of the Company's common stock as traded on the OTC Market on the date of each grant. Stock options shall vest immediately upon each issuance and shall be otherwise subject to the terms of the 2015 option plan. In the case of a change of control of the Company, the issuance schedule shall be accelerated by one year. Stock options shall have an exercise term of ten years from date of issuance, not to exceed the expiration date of the 2015 option plan. The Employment Agreement was terminated upon Mr. Basit's resignation.

Effective October 1, 2016, the Company entered into one-year employment agreements with Carl Kukkonen and Stephen Muzi. Dr. Kukkonen serves as Chief Technology Officer of the Company and Mr. Muzi serves as Chief Financial Officer, Treasurer and Secretary. Dr. Kukkonen will receive a salary of \$84,000 per annum and Mr. Muzi would receive \$64,000 per annum. Each of them would also be entitled to customary insurance and health benefits, and reimbursement for out-of-pocket expenses in the course of his employment. Dr. Kukkonen is to receive 20 business days paid leave per year and Mr. Muzi is to receive 10 business days paid leave. Additionally, Dr. Kukkonen will be awarded a bonus of 10% of the gross revenue generated by the Company up to a maximum of \$100,000. Mr. Muzi resigned as CFO, Treasurer and Secretary effective as of September 30, 2017 and his employment agreement was terminated as of such date.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is not required of smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures that are designed for the purpose of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Principal Accounting Officer, as appropriate to allow timely decisions regarding required disclosures.

For the period ended March 31, 2018, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act. In the

course of this evaluation, our management considered the material weakness in our internal control over financial reporting as discussed in our Annual Report on Form 10-K for the period ended December 31, 2017. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this report on Form 10-Q, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. To overcome this weakness, our principal executive and financial officers have reviewed and provided additional substantive accounting information and data in connection with the preparation of this quarterly report. Therefore, despite the weaknesses identified, our principal executive and financial officers

believe that there are no material inaccuracies or omissions of material facts necessary to make the statements included in this report not misleading in light of the circumstances under which they are made.

Changes in Internal Control over Financial Reporting

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financing reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company does not have any material legal proceedings as of March 31, 2018.

ITEM 1A. RISK FACTORS

Risk Factors Which May Affect Future Results

The Company cautions that the following important factors, among others, in some cases have affected and in the future could affect the Company's actual results and could cause such results to differ materially from those expressed in forward-looking statements made by or on behalf of the Company.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, other than as set forth below:

Risks Related to our Grass Business

If we fail to comply with our obligations in our intellectual property licenses, we could lose license rights that are important to our business.

Executed on April 4, 2016 and effective as of March 28, 2016, the Company, VGE and IPA China, entered into the Global Supply, License, and Commercialization Agreement (the "New Agreement").

Under the New Agreement, VGE and the Company terminated the VGE-VIASPACE Agreement and IPA directly granted the Company an exclusive, perpetual license to commercialize its intellectual property rights to three (3) types of high yield, non-genetically modified grasses ("Three GK Grasses") throughout the world except Cambodia, People's Republic of China, Taiwan, Thailand, Myanmar, Malaysia, Laos, Vietnam and Singapore ("VIASPACE Territory"). It and VGE agreed to subordinate the terms of the IPA-VGE Agreement to the terms of the New Agreement. IPA China also granted the right to use and market the name "Giant King Grass" and other related names.

The Company would owe royalty payments on the Net Sales of the Three GK Grasses. This license would be sublicenseable in the VIASPACE Territory. IPA China held all rights of ownership to the Three GK Grasses. The Company would own any grasses resulting from any modifications or improvements to the Three GK Grasses. IPA China would use commercially reasonable efforts to maintain its intellectual property rights. The Company would use commercially reasonable efforts to commercialize the Three GK Grasses throughout the VIASPACE Territory.

If the Company does not make its required royalty payments, it could lose its license.

If we lose key personnel or are unable to hire additional qualified personnel, it could impact our ability to grow our business.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled technical, managerial, sales and marketing, finance and operations personnel. We face intense competition for all such personnel, and we may not be able to attract and retain these individuals. Our failure to do so could delay product development, affect the quality of our products and services, and/or prevent us from sustaining or growing our business. In addition, key personnel may leave our company and subsequently compete against us.

Effective July 31, 2017, Mr. Haris Basit resigned as our Chief Executive Officer to work for a technology company in an industry unrelated to the Company's industry. Dr. Kevin Schewe, the Company's largest shareholder and current

Chairman of the Board, became our acting Chief Executive Officer. Effective September 30, 2017, Mr. Stephen Muzi resigned as our Chief Financial Officer and was replaced by Dr. Schewe. Mr. Basit's and Mr. Muzi's recent departure may impact the Company's ability to grow our business.

Key personnel include Dr. Schewe and Dr. Carl Kukkonen, our Chief Technology Officer. The loss of key personnel, especially if without advanced notice, could harm our ability to maintain and build our business operations. Furthermore, we have no key man life insurance for any of our key employees.

Risks Related To An Investment In Our Stock

We have incurred losses and anticipate continued losses for the foreseeable future.

Our net loss for the three months ended March 31, 2018 and the year ended December 31, 2017 was \$71,000 and \$871,000, respectively. We have not yet achieved profitability and expect to continue to incur net losses until we recognize increased higher revenues from GKG related sales. Because we do not have an operating history upon which an evaluation of our prospects can be based, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies seeking to develop new and rapidly evolving technologies. To address these risks, we must, among other things, respond to competitive factors, continue to attract, retain and motivate qualified personnel and continue to develop our technologies. We may not be successful in addressing these risks. We can give no assurance that we will achieve or sustain profitability.

Any future sale of a substantial number of shares of our common stock could depress the trading price of our common stock, lower our value and make it more difficult for us to raise capital.

Any sale of a substantial number of shares of our common stock (or the prospect of sales) may depress the price of our common stock. In particular, we will need to raise additional capital to maintain any ongoing business. We anticipate that the issuance of newly-issued shares to maintain our business will likely be very dilutive. In addition, these sales could lower our value and make it more difficult for us to raise capital. Further, the timing of the sale of the shares of our common stock may occur at a time when we would otherwise be able to obtain additional equity capital on terms more favorable to us.

The Company has 3,900,000,000 authorized shares of common stock, of which 3,585,153,265 were accounted for by our transfer agent as issued and outstanding as of March 31, 2018. Of these issued and outstanding shares, 2,107,048,944 shares (58.8%) are currently held by our executive officers, directors, and principal shareholders including related parties (including Mr. Haris Basit, former CEO and Director; Dr. Carl Kukkonen, CTO and Director; Mr. Stephen J. Muzi, former CFO; Ms. Angelina Galiteva, Director; Dr. Kevin L. Schewe, acting CEO, CFO and Director; Mr. Sung Hsien Chang, former director of the Company; Inter Pacific Arts Corporation, a former subsidiary of the Company; and Almaden Energy Group, a related party). Of the shares issued and outstanding at March 31, 2018, 2,277,709,580 are accounted by our transfer agent as restricted under Rule 144. These shares could be released in the future if requested by the holder of the shares, subject to volume and manner of sale restrictions under Rule 144. 1,307,443,685 shares of the Company's common stock are accounted for by our transfer agent as free trading at March 31, 2018. 100,000,000 common shares are accounted for by our transfer agent as issued and outstanding, however, for accounting purposes the Company accounts for these as unissued since they are forfeitable. Outstanding common shares excluding these forfeitable shares are 3,585,153,265 at March 31, 2018.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares currently held by management and principal shareholders), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Our executive officers, directors (including current and former) and principal shareholders own 58.8% of our common stock and one director holds a share of Series A Preferred Stock entitling it to votes of 50.1% on outstanding voting matters, which allows him to control substantially all matters requiring shareholder approval, and their interests may not align with the interests of our other shareholders.

Our executive officers, directors (including current and former) and principal shareholders hold 58.8% of our outstanding shares as of March 31, 2018. In addition, on May 14, 2010, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation of Series A Preferred Stock. The Certificate was approved by the Board and did not require shareholder vote. The Certificate created a new class of preferred stock known as Series A

Preferred Stock. There is one share designated as Series A Preferred Stock. One share of Series A Preferred Stock is entitled to 50.1% of the outstanding votes on all shareholder voting matters. Series A Preferred Stock has no dividend rights and no rights upon a liquidation event and is subject to cancellation when certain conditions are met.

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On May 14, 2010, the Company issued one share of Series A Preferred Stock to Mr. Chang related to the acquisition of IPA by VIASPACE and VGE. This empowers Chang with supermajority voting rights even after he holds less than a majority of outstanding voting securities. Under the term sheet relating to the VGE Recapitalization, Chang gave a proxy to Director Dr. Schewe during the term of any GKG sublicense from VGE. Dr. Schewe may be willing to provide additional financing to the Company. In the event he provides such financing, his ownership in the Company will further increase.

Effective as of September 30, 2012, and pursuant to an Agreement to Grant Voting Rights and Transfer Preferred Share executed by Chang and Director Kevin Schewe, Chang granted Schewe an irrevocable proxy that permitted Schewe to vote the Preferred Share. This proxy lasts so long as the License remained exclusive to the Company. On March 31, 2018 the proxy was cancelled as the preferred Share was transferred from Chang to Schewe.

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

On January 16, 2018, the Company issued 40,498,442 unregistered shares of common stock to Haris Basit, former CEO and current Director of the Company. The shares were issued related to the conversion by Mr. Basit of one convertible note as discussed in detail in Note 5. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was no general solicitation or general advertising involved in the offer or sale.

On February 26, 2018, the Company issued 98,039,216 unregistered shares of common stock to Kevin Schewe, CEO and Director of the Company. The shares were issued related to the conversion by Dr. Schewe of one convertible note as discussed in detail in Note 5. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was no general solicitation or general advertising involved in the offer or sale.

On March 2, 2018, the Company issued 32,947,020 unregistered shares of common stock to Haris Basit, former CEO and current Director of the Company. The shares were issued related to the conversion by Mr. Basit of one convertible note as discussed in detail in Note 5. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was no general solicitation or general advertising involved in the offer or sale.

On March 16, 2018, the Company issued 9,554,140 unregistered shares of common stock to Haris Basit, former CEO and current Director of the Company. The shares were issued related to the conversion by Dr. Schewe of one convertible note as discussed in detail in Note 5. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for the offer and sale of its stock. It believed that Section 4(2) was available because the offer and sale was not a public offering of its securities and there was no general solicitation or general advertising involved in the offer or sale.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

(a) Exhibits

- 10.1 Senior Convertible Promissory Note between Registrant and Haris Basit dated January 16, 2018 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed January 18, 2018).
- 10.2 Senior Convertible Promissory Note between Registrant and Kevin Schewe dated February 26, 2018 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 2, 2018)
- 10.3 Senior Convertible Promissory Note between Registrant and Haris Basit dated March 2, 2018 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 7, 2018)
- 10.3 Senior Convertible Promissory Note between Registrant and Haris Basit dated March 16, 2018 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 20, 2018).
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. *
- 101.INS XBRL Instance Document *
- 101.SCH XBRL Schema Document *
- 101.CAL XBRL Calculation Linkbase Document *
- 101.DEF XBRL Definition Linkbase Document *
- 101.LAB XBRL Label Linkbase Document *
- 101.PRE XBRL Presentation Linkbase Document *

* Filed herewith.

[SIGNATURES PAGE FOLLOWS]

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIASPACE Inc.

(Registrant)

Date: May 21, 2018 By: /s/ Kevin Schewe
Kevin Schewe
Chief Executive Officer (Principal Executive Officer)

Date: May 21, 2018 By: /s/ Kevin Schewe
Kevin Schewe
Chief Financial Officer (Principal Financial and Accounting Officer)