VIASPACE Inc.
Form 10-Q
May 15, 2017

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **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

o **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 incorporation or organization)	(I.R.S. Employer Identification No.)

382 N. Lemon Ave., Suite 364, Walnut, CA 91789

(Address of principal executive offices)

(626) 768-3360

(Issuer's telephone number)

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 x NO o

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 x NO o

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 o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x
Emerging growth company o	

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. o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,059,906,016 shares of $0.0001 par value common stock issued and outstanding as of May 15, 2017.

VIASPACE INC.

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FISCAL QUARTER ENDED MARCH 31, 2017

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VIASPACE INC.

BALANCE SHEETS

	March 31, 2017	**December 31, 2016**
	(Unaudited)	**(Audited)**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$5,000	$19,000
Accounts receivable	30,000	–
Prepaid expenses	83,000	14,000
TOTAL CURRENT ASSETS	118,000	33,000
OTHER ASSETS:		
Investment in Almaden Energy Group	10,000	14,000
Other assets	2,000	2,000
TOTAL OTHER ASSETS	12,000	16,000
TOTAL ASSETS	$130,000	$49,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$81,000	$68,000
Accrued expenses	26,000	29,000
Unearned revenue	20,000	20,000
Related party payables	674,000	640,000
TOTAL CURRENT LIABILITIES	801,000	757,000
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' DEFICIT:		
Preferred stock, $0.0001 par value in 2017 and 2016, 10,000,000 shares authorized, one share of Series A preferred stock issued and outstanding in 2017 and 2016	–	–
Common stock, $0.0001 par value in 2017 and 2016, 3,900,000,000 shares authorized, 3,079,260,854 shares issued and 2,979,260,854 shares outstanding as of March 31,	298,000	282,000

2017, and 2,919,472,132 shares issued and 2,819,472,132 shares outstanding as of December 31, 2016		
Additional paid in capital	52,702,000	52,458,000
Accumulated deficit	(53,671,000)	(53,448,000)
Total shareholders' deficit	(671,000)	(708,000)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$130,000	$49,000

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, 2017	2016
REVENUES	$53,000	$15,000
COST OF REVENUES	14,000	18,000
GROSS PROFIT (LOSS)	39,000	(3,000)
OPERATING EXPENSES		
Operations	4,000	11,000
Selling, general and administrative	212,000	312,000
Total operating expenses	216,000	323,000
LOSS FROM OPERATIONS	(177,000)	(326,000)
OTHER INCOME (EXPENSE)		
Interest expense	(42,000)	(51,000)
Other income	–	16,000
Other expense	(4,000)	(10,000)
Total other expense	(46,000)	(45,000)
LOSS BEFORE INCOME TAXES	(223,000)	(371,000)
Income taxes	–	–
NET LOSS	$(223,000)	$(371,000)
LOSS PER SHARE OF COMMON STOCK — Basic and diluted	$(0.00)	$(0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING—Basic and diluted	2,878,744,837	2,124,984,310

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

VIASPACE INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(223,000)	$(371,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock option compensation	97,000	73,000
Stock issued for consulting expense	1,000	–
Amortization of prepaid expenses	6,000	63,000
Amortization of discounts on notes payable	41,000	50,000
Loss on minority investment in Almaden Energy Group	4,000	10,000
(Increase) decrease in operating assets:		
Accounts receivable	(30,000)	41,000
Prepaid expenses	–	24,000
Increase (decrease) in operating liabilities:		
Accounts payable	12,000	45,000
Accrued expenses and other	(2,000)	(25,000)
Related party	34,000	(6,000)
Unearned revenue	–	20,000
Net cash used in operating activities	(60,000)	(76,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible notes payable- related party	41,000	50,000
Stock issued for investment by related parties	–	26,000
Stock issued for investment by non-related parties	5,000	–
Net cash provided by financing activities	46,000	76,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,000)	
CASH AND CASH EQUIVALENTS, Beginning of period	19,000	10,000
CASH AND CASH EQUIVALENTS, End of period	$5,000	$10,000
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$–	$–
Income taxes	$–	$–

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 the 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.

Supplemental Disclosure of Non-Cash Activities for 2016:

- The Company issued 50,000,000 shares of the Company’s common stock for future funding source.
- The Company recorded a discount on the loans from Dr. Schewe of $50,000 as a result of a beneficial conversion feature. During 2016, Dr. Schewe converted loans of $50,000 to equity.

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

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 $53,671,000. The Company expects such losses to continue. However, on November 30, 2016, the Company entered in a Loan Agreement with 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 Kevin Schewe whereby he agreed to fund the Company $100,000 over a two-year period. The Company expects loans from Mr. Basit and Dr. Schewe 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 or Dr. Schewe 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.

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, 2016 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, the FASB issued guidance regarding the accounting for revenue from contracts with customers. In April 2016, May 2016 and December 2016, the FASB issued additional guidance, addressed implementation issues and provided technical corrections. The guidance may be applied retrospectively or using a modified retrospective approach to adjust retained earnings (deficit). The guidance is effective for interim and annual periods beginning after December 15, 2017. We are currently evaluating the impact of this guidance on our financial statements.

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, 2017 and December 31, 2016, included in prepaid expenses for this third-party provider is $83,000 and $13,000, respectively, for shares of stock issued to the provider in excess of amounts paid on the Company’s behalf. For the three months ended March 31, 2017 and 2016, the Company recorded $6,000 and $63,000, respectively, of stock related expenses.

Other prepaid expenses (non-stock related) were $0 and $1,000 at March 31, 2017 and December 31, 2016, respectively.

Note 3 – Investment in Almaden Energy Group

The investment in Almaden Energy Group, LLC (“AEG”) represents an 18.75% interest in that company’s outstanding member units which became effective April 15, 2015. The Company originally accounted for this investment by the cost method because the member units of that company is 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 2017 and 2016. The carrying value of the investment is $10,000 and $14,000 as of March 31, 2017 and December 31, 2016, respectively. We recorded other expense of approximately $4,000 in the Company's Statements of Operation during the three months ended March 31, 2017, related to a loss on investment in AEG. See Note 8 for additional related party transactions with AEG.

NOTE 4 – STOCK OPTIONS, WARRANTS AND ISSUED STOCK

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model has assumptions for risk free interest rates, dividends, stock volatility and expected life of an option grant. The risk free interest rate is based upon market yields for United States Treasury debt securities at a maturity near the term remaining on the option. Dividend rates are based on the Company's dividend history. The stock volatility factor is based on the historical volatility of the Company's stock price. The expected life of an option grant is based on management's estimate as no options have been exercised in the Plan to date. The Company calculated a forfeiture rate for employees and directors based on historical information. A forfeiture rate of 0% is used for options granted to consultants. The fair value of each option grant to employees, directors and consultants is calculated by the Black-Scholes method and is recognized as compensation expense on a straight-line basis over the vesting period of each stock option award.

	2017
Risk free interest rate	2.18%
Dividends	0%
Volatility factor	140.16%
Expected life	6.67 years
Annual forfeiture rate	0%

The following is a summary of the Company's stock option activity for the three months ended at March 31, 2017:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term In Years	Aggregate Intrinsic Value
Outstanding at December 31, 2016	380,730,000	$ 0.0028		
Granted	18,750,000	0.0015		
Exercised	–	–		
Cancelled and forfeited	–	–		
Outstanding at March 31, 2017	399,480,000	$ 0.0028	8.89	$ 2,000
Exercisable at March 31, 2017	293,218,000	$ 0.0030	8.66	$ 2,000

Stock options totaling 18,750,000 were granted during the three months ended March 31, 2017. The Plan recorded $97,000 of compensation expense for employees and director stock options in 2017. At March 31, 2017, there was $190,000 of unrecognized compensation costs related to non-vested share-based compensation arrangements under the Plan that is expected to be recognized over a weighted average period of approximately one year. There were no options exercised during the three months ended March 31, 2017.

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 CEO 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 the 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, 2017, Mr. Basit made loans of $16,000 to the Company. The Company recorded a discount on the loans of $16,000 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 2017, Mr. Basit converted loans totaling $16,000 into 40,823,579 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, 2017. As of March 31, 2017, the Company had remaining availability under the note of $59,000.

Loan Agreement with Kevin Schewe

Effective February 23, 2017, the Company entered into a Loan Agreement with Director 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 the 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, 2017, Dr. Schewe made loans of $25,000 to the Company. The Company recorded a discount on the loans of $25,000 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 2017, Dr. Schewe converted loans totaling $25,000 into 62,898,551 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, 2017. As of March 31, 2017, the Company had remaining availability under the note of $75,000.

NOTE 6 – STOCKHOLDERS' EQUITY

Preferred Stock

At March 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, there is one share of Series A Preferred Stock outstanding.

Common Stock

As of January 1, 2017, 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, 2017, there is no accounting impact from this transaction because the shares remain in the Company's possession.

On January 9, 2017, the Company entered into Subscription Agreement with a non-related party to purchase 5,586,592 shares of common stock at a purchase price of $0.000895 per share for $5,000. The purchase price per share was equal to 50% of the average closing price of the Company's common stock for the 20 trading days immediately preceding the date of the investment. The Company issued such common stock on the date of such Subscription Agreement.

During 2017, the Company issued 480,000 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.

During 2017, the Company issued 62,898,551 shares of common stock to Director 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 2017, the Company issued 40,823,579 shares of common stock to CEO 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 December 31, 2016, there were 2,979,260,854 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 equaled 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, 2017 and 2016 that are not included in the loss per share calculation since their effect would be anti-dilutive for the periods indicated:

	2017	2016
Stock Options	399,480,000	201,980,000

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

	2017	2016
Basic and diluted net loss per share:		
Numerator:		
Net loss attributable to common stock	$(223,000)	$(371,000)
Denominator:		
Weighted average shares of common stock outstanding	2,878,744,837	2,124,984,310
Net loss per share of common stock, basic and diluted	$(0.00)	$(0.00)

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NOTE 8 – RELATED PARTY TRANSACTIONS

Included in the Company's balance sheets at March 31, 2017 and December 31, 2016 are Related Party Payables of $674,000 and $640,000, respectively. The Company has a payable of $654,000 and $640,000, at March 31, 2017 and December 31, 2016 owed to Dr. Carl Kukkonen, CTO. Of the amount owed to Dr. Kukkonen, there is a cash component totaling $150,000 and a common stock component totaling $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, 2017: 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 CEO Haris Basit $20,000 at March 31, 2017, representing salary earned but not paid.

The Company has a loan agreement with Director Dr. Kevin Schewe and CEO Haris Basit 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 CEO of the Company. For the three months ended March 31, 2017 and 2016, the Company recorded $0 and $12,000, respectively, in revenues from AEG. At March 31, 2017, 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, 2017, the Company recorded $10,000 as an Investment in AEG on its Balance Sheet under equity method of accounting (see Note 3).

NOTE 9 – COMMITMENTS AND CONTINGENCIES

<u>Leases</u>

The Company currently has no long term office lease. The Company leases land in San Diego County, California where it grows Giant King Grass. Rent and utility expense charged to operations for the three months ended March 31, 2017 and 216, was $3,000 and $2,000, respectively.

<u>Collaborative Agreements</u>

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, 2017 and 2016, the Company received $0 and $35,000, respectively, in payments under these collaborative agreements. The Company recognized revenue from these collaborative agreements of $0 and $15,000 for three months ended March 31, 2017 and 2016, respectively.

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

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, CEO 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.

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.

Litigation

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

NOTE 10 – SUBSEQUENT EVENTS

On April 10, 2017, pursuant to an Employment Agreement entered on July 10, 2015, between the Company and Mr. Haris Basit, CEO, the Registrant issued 18,750,000 non-qualified stock options out of its existing stock plan to Mr. Basit. The stock options will vest immediately and were issued at $0.0015 per share which represented fair market value on the date of grant.

On April 25, 2017, Dr. Kevin Schewe, Director of the Company, advanced an additional $15,000 pursuant to the convertible loan agreement and immediately converted the $15,000 loan into 48,387,097 shares of Company common stock at a conversion price of $0.00031 per common share.

On April 25, 2017, Mr. Haris Basit, CEO of the Company, advanced an additional $10,000 pursuant to the convertible loan agreement and immediately converted the $10,000 loan into 32,258,065 shares of Company common stock at a conversion price of $0.00031 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 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, 2017 and 2016, 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, 2017 Compared to March 31, 2016

Revenues

Revenues were $53,000 and $15,000 for the three months ended March 31, 2017 and 2016, respectively, an increase 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 $14,000 and $18,000 for the three months ended March 31, 2017 and 2016, respectively, a decrease of $4,000. 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, 2017 compared to the same period in 2016 was an increase in gross profit from a gross loss of $3,000 for the three months ended March 31, 2016 to a gross profit of $39,000 for the three months ended March 31, 2017.

Operations Expenses

Operations expenses were $4,000 and $11,000 for the three months ended March 31, 2017 and March 31, 2016, a decrease of $7,000. Labor and consulting costs were lower by $5,000 in 2017 as the Company hired less labor to work in the Giant King Grass field in San Diego County. Water and rent costs were higher by $1,000 during 2017 as compared with 2016 due to higher rent and more water usage. Other operations expenses were lower by $3,000 in 2017 as compared with the same period in 2016. Operations expenses consist of plantation expenses related to the Company's test plot in California and Hawaii and costs associated with agronomy support and travel for potential customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $212,000 and $312,000 for the three months ended March 31, 2017 and 2016, respectively, a decrease of $100,000. Stock option compensation expense increased $45,000 in 2017 as compared with 2016 due to reduced stock option grants in 2017. Payroll and benefit costs were lower by $14,000 in 2017 compared with the same period of 2016. Stock compensation expense was lower by $22,000 in 2017 versus 2016 due to no compensation expense in 2017 related to officer family members purchasing common stock of the Company at a discount to market. Consulting fees decreased $81,000 in 2017 as the Company did not use a lobbyist to assist the Company in obtaining government contracts and did not use an outside service consultant. Insurance costs decreased $25,000 in 2017 compared to 2016 due to reduced directors' and officers' insurance costs. Other costs decreased $3,000 in 2017 as compared to 2016.

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, 2017, the Company had a loss from operations of $177,000 compared with a loss from operations of $326,000 for the three months ended March 31, 2016, a decrease of $149,000.

Interest Expense

Interest expense was $42,000 and $51,000 for the three months ended March 31, 2017 and 2016, respectively, a decrease of $9,000. This is due to a decrease in the amount of the discount recognized in 2017 as compared to 2016, related to decreased officer convertible loans made to the Company in 2017.

Other Expenses

The Company recorded other expense of $4,000 for the three months ended March 31, 2017 and $10,000 for the same period in 2016, a decrease of $4,000. The decrease is related to a decrease in the fair value of the Company's minority interest in AEG.

Other Income

The Company recorded other income of $16,000 for the three months ended March 31, 2016 and $0 for the same period in 2017. The Company reversed royalty expense no longer owed to VGE at March 31, 2016, that was accrued on the Company's Balance Sheet at December 31, 2015, as a result of a new Global Supply, License, and Commercialization Agreement the Company entered into with VGE and Guangzhou Inter-Pacific Arts Corp. effective March 28, 2016 which eliminated any past claims either party had with each other.

Liquidity and Capital Resources

The Company's net loss for the three months ended March 31, 2017 was $223,000. Non-cash expenses totaled $149,000 for the three months ended March 31, 2017 primarily due to stock options expense, stock compensation expense, amortization of debt discount and loss on minority interest. Changes in operating assets and liabilities provided $14,000 of cash in 2017. Net cash used by operating activities for operations was $60,000 for the three months ended March 31, 2017.

The Company has incurred significant losses from operations, resulting in an accumulated deficit of $53,671,000 at March 31, 2017. The Company expects such losses to continue. However, on November 30, 2016, the Company entered in a Loan Agreement with 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 Kevin Schewe whereby he agreed to fund the Company $100,000 over a two-year period. The Company received $25,000 from Dr. Schewe related to these Loan Agreements during the three months ended March 31, 2017. The Company received $16,000 from Mr. Basit related to these Loan Agreements during the three months ended March 31, 2017. During the three months ended March 31, 2017, we received capital of $5,000 through the sales of unregistered shares of common stock to a non-related party.

As of filing date of this Form 10-Q, the Company had remaining availability under Dr. Schewe's note of $60,000, and remaining availability under Mr. Basit's note of $49,000. The Company expects contracts related to Giant King Grass, loans from Dr. Schewe and Mr. Basit, 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 Mr. Basit or Dr. Schewe 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.

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Contractual Obligations

There are no long-term contractual obligations other than employment agreements as detailed below.

Employment Agreements

Effective July 10, 2015, the Company entered into a two-year employment agreement with Haris Basit, CEO 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.

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.

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, 2017, 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, 2016. 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, 2017 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, 2017.

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, 2016, 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.

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, 2017 and the year ended December 31, 2016 was $223,000 and $1,201,000, 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 3,079,260,854 were accounted for by our transfer agent as issued and outstanding as of March 31, 2017. Of these issued and outstanding shares, 1,682,498,144 shares (54.6%) are currently held by our executive officers, directors, and principal shareholders including related parties (including Mr. Haris Basit, CEO and Director; Dr. Carl Kukkonen, CTO and Director; Mr. Stephen J. Muzi, CFO; Ms. Angelina Galiteva, Director; Dr. Kevin L. Schewe, 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, 2017, 1,811,252,459 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. 1,268,008,395 shares of the Company's common stock are accounted for by our transfer agent as free trading at March 31, 2017. 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 2,979,260,854 at March 31, 2017.

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 54.6% 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 54.6% of our outstanding shares as of March 31, 2017. 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.

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. Upon the earlier of (i) the expiration of five years or (ii) the date when the Company reached a market capitalization of at least $50 million, the proxy would be cancelled as the Preferred Share would be transferred from Chang to Schewe.

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

On January 9, 2017, the Company issued 5,586,592 unregistered shares of common stock to a non-related party investor. 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 not general solicitation or general advertising involved in the offer or sale.

On January 27, 2017, the Company issued 14,102,564 unregistered shares of common stock to Haris Basit, CEO 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 7, 2017, the Company issued a consultant 480,000 unregistered shares of the Company's common stock for consulting services valued at approximately $1,000. 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 24, 2017, the Company issued 14,492,754 unregistered shares of common stock to Haris Basit, CEO 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 24, 2017, the Company issued 36,231,884 unregistered shares of common stock to Kevin Schewe, 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 27, 2017, the Company issued 26,666,667 unregistered shares of common stock to Kevin Schewe, 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 29, 2017, the Company issued 12,228,261 unregistered shares of common stock to Haris Basit, CEO 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Senior Convertible Promissory Note between Registrant and Haris Basit dated January 27, 2017 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed February 1, 2017).
10.2	Loan Agreement between Registrant and Kevin Schewe dated February 23, 2017 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 1, 2017).
10.4	Form of Senior Promissory Note between Registrant and Kevin Schewe (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed March 1, 2017).
10.5	Senior Convertible Promissory Note between Registrant and Haris Basit dated February 24, 2017 (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed March 1, 2017)
10.6	Senior Convertible Promissory Note between Registrant and Kevin Schewe dated February 24, 2017 (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed March 1, 2017).
10.7	Senior Convertible Promissory Note between Registrant and Kevin Schewe dated March 27, 2017 (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed March 31, 2017).
10.8	Senior Convertible Promissory Note between Registrant and Haris Basit dated March 29, 2017 (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed March 31, 2017).
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	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 15, 2017 By: /s/ HARIS BASIT
Haris Basit
Chief Executive Officer (Principal Executive Officer)

Date: May 15, 2017 By: /s/ STEPHEN J. MUZI
Stephen J. Muzi
Chief Financial Officer (Principal Financial and Accounting Officer)

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