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## EDGAR Submission Header Summary

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Submission Type	10KSB
Live File	on
Return Copy	on
Exchange	NONE
Confirming Copy	off
Filer CIK	0001413119
Filer CCC	xxxxxxx
Period of Report	12/31/07
Shell Company	No
Notify via Filing website Only	off

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### Documents

10KSB	f10ksb2007_kraig.htm 2007 Annual Report
EX-14.1	f10ksb2007ex14_kraig.htm Code of Ethics
EX-31.1	f10ksb2007ex31_kraig.htm Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
EX-32.1	f10ksb2007ex32_kraig.htm Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
GRAPHIC	webblogo3.jpg

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### Module and Segment References

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 333-146316

**KRAIG BIOCRAFT LABORATORIES, INC.**  
(Name of small business issuer in its charter)

**WYOMING**  
(State or other jurisdiction of  
incorporation or organization)

**83-0459707**  
(IRS Employer Identification No.)

**120 N. Washington Square, Suite 805**  
**Lansing, Michigan**  
(Address of principal executive offices)

**48933**  
(Zip Code)

**(517) 336-0807**  
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class registered:	Name of each exchange on which registered:
<b>None</b>	<b>None</b>

Securities registered under Section 12(g) of the Exchange Act:

**Common Stock, par value \$.001**  
(Title of class)

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 is a shell company as defined in Rule 12b-2 of the Exchange Act.  
Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Revenues for year ended December 31, 2007: \$0

Aggregate market value of the voting common stock held by non-affiliates of the registrant as of December 31, 2007, was: \$N/A

Number of shares of the registrant's common stock outstanding as of December 31, 2007 was: 49,934,850

Transitional Small Business Disclosure Format: Yes  No

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**SIGNATURES**

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### **Business of Issuer**

##### General

Kraig Biocraft Laboratories, Inc. (the "Company") was incorporated under the laws of the State of Wyoming on April 25, 2006. The Company was organized to develop high strength, protein based fiber, using recombinant DNA technology, for commercial applications in the textile and specialty fiber industries.

##### **The Market**

We are focusing our work on the development and production of high performance and technical fiber. The performance fiber market is currently dominated by two classes of product: aramid fibers and ultra high molecular weight polyethylene fiber. These products service the need for materials with high strength, resilience, and flexibility. Because these synthetic performance fibers are stronger and tougher than steel, they are used in a wide variety of military, industrial, and consumer applications.

The users of high performance and technical fiber include the military and police departments, which employ them for ballistic protection. The materials are also used for industrial applications requiring superior strength and toughness, i.e. critical cables and abrasion/impact resistant components. These fibers are also employed in safety equipment, and high strength composite materials for the aero-space industry. The Company anticipates that the materials it is developing will service on many of these same markets.

##### **The Product**

It has long been known that certain fibers produced in nature possess unique mechanical properties in terms of strength, resilience and flexibility. These protein based fibers, exemplified by spider silk, have been the subject of much interest to materials scientists.

We believe that the production of recombinant protein based polymers in commercial quantities holds the promise of a material, which is lighter, thinner, more flexible, and tougher than aramid fibers. Other applications include use as structural material for aircraft, and for any application in which light weight and high strength are required.

While the properties of spider silks are well known, there is presently no known way to produce the fibers in commercial quantity. The spiders are cannibalistic, and can not be raised in concentrated colonies.

##### **The Technology**

While scientists have been able to replicate the proteins that are the building blocks of spider silk, the technological barrier that has stymied production, is the incapacity to form these proteins into a fiber with the desired mechanical characteristics.

We have acquired the right to use the patented genetic sequences and genetic engineering technology developed in two university laboratories. Our technology builds upon the unique advantages of the discoveries made within the university system. The university technology, in collaboration with our own concepts and leadership, form the foundations of our research and product development.

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We are working to use this genetic engineering technology to create recombinant protein based polymers. Management is committed to steering the research toward the development of commercial production of spider silks, spider silks analogs and new polymers composed of recombinant proteins. The goal is to create recombinant fibers for use in the technical textiles market.

**The Company**

The inventor of this technology concept, Kim Thompson, is the founder of Kraig Biocraft Laboratories, Inc.

Certain patented genetic tools, methods, and proprietary gene sequences invented and discovered by university researchers are pivotal in our work. We have negotiated and obtained certain exclusive proprietary rights to use the universities' intellectual property for our product development and commercialization.

The company has entered into an intellectual property and collaborative research agreement with the University of Notre Dame, whereby the genetic work is being conducted in concert with the University and within the University's laboratories. The company has also entered into an intellectual property and sponsored research agreement with the University of Wyoming. Pursuant to these two agreements, the company anticipates that the genetic work will be performed primarily or exclusively within university controlled genetic laboratories. Also pursuant to these agreements, we have ongoing financial commitments to both universities in connection with the collaborative and sponsored scientific and genetic research. We are performing our research in cooperation and collaboration with researchers within the two university systems. At the present time, we do not itself operate any laboratories, and all laboratories are owned and operated by the universities.

We are in the research and development stage. We currently have no developed products and does not produce any revenue from the sale of products. Management anticipates that we will remain in the research and development stage for the next two to three years at a minimum.

**Employees**

We currently have no employees other than Kim Thompson, our sole officer and director.

**ITEM 2. DESCRIPTION OF PROPERTY**

Kraig Biocraft Laboratories, Inc. was incorporated in April 2006 in Wyoming. Our business office is located at 120 N. Washington Square, Suite 805, Lansing, Michigan 48950.

**ITEM 3. LEGAL PROCEEDINGS**

We are not presently parties to any litigation, nor to our knowledge and belief is any litigation threatened or contemplated.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### **No Public Market for Common Stock**

There is no trading market for our Common Stock at present and there has been no trading market to date. There is no assurance that a trading market will ever develop or, if such a market does develop, that it will continue.

The Securities and Exchange Commission has adopted Rule 15c-9 which establishes the definition of a "penny stock," for purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must (i) obtain financial information and investment experience and objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks. The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, which, in highlight form, (i) sets forth the basis on which the broker or dealer made the suitability determination and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading, and about commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

#### **Holders**

As of December 31, 2007 49,934,850 shares of common stock are issued and outstanding and held by 39 shareholders. Holders of our common stock are entitled to one vote for each share on all matters submitted to a stockholder vote.

Holders of common stock do not have cumulative voting rights.

Therefore, holders of a majority of the shares of common stock voting for the election of directors can elect all of the directors. Holders of our common stock representing a majority of the voting power of our capital stock issued and outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our Articles of Incorporation.

Although there are no provisions in our charter or by-laws that may delay, defer or prevent a change in control, we are authorized, without shareholder approval, to issue shares of preferred stock that may contain rights or restrictions that could have this effect.

Holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In the event of liquidation, dissolution or winding up, each outstanding share entitles its holder to participate pro rata in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock. Holders of our common stock have no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to our common stock.

The issued and outstanding shares of our Common Stock were issued in accordance with the exemptions from registration afforded by Section 4(2) of the Securities Act of 1933.

#### **Dividends**

Since inception we have not paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our common stock, when issued pursuant to this offering. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future.

Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our Board of Directors may deem relevant.

#### **Recent Sales of Unregistered Securities**

Kraig Biocraft Laboratories, Inc. was incorporated in April 2006 in Wyoming. Our business office is located at 120 N. Washington Square, Suite 805, Lansing, Michigan 48950.

We were incorporated in the State of Wyoming in April 2006 and on April 26, 2006 33,229,200 shares of our Class "A" common stock, were issued to Kim Thompson in exchange for intellectual property. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the "Act") and were issued as founder's shares. These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Mr. Thompson had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On April 28, 2006 we issued 400 shares of our Class "A" common stock to Samuel Ching at a price per share of \$.50, for an aggregate of \$400 cash. On January 26, 2007 we also issued 2,100,000 shares of our Class "A" common stock to Samuel Ching at a price per share of \$.0505 for an aggregate of \$106,000.00. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the "Act"). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Mr. Ching had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On April 28, 2006 we issued 400 shares of our Class “A” common stock to Richard Duzenbury at a price per share of \$.50 for an aggregate of \$400 cash. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Mr. Duzenbury had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On July 5, 2006, pursuant to an Intellectual Property Agreement, we issued 1,750,000 shares of our Class “A” common stock to the University of Wyoming Foundation in exchange for intellectual property. The Company holds a five year call, dated from May 8, 2006, 700,000 shares held by the University of Wyoming Foundation. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Mr. Duzenbury had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On September 12, 2006, March 21, 2007 and August 1, 2007 pursuant to a Consulting Agreement, we issued an aggregate of 330,000 shares of our Class “A” common stock to Malcolm Fraser for consulting services performed. Pursuant to the Consulting Agreement, Mr. Fraser is contractually restricted from reselling 175,000 shares for a period of 26 months from February 26, 2007. In addition, the Consulting Agreement restricts Mr. Fraser from resale of 60,000 shares for a period of 24 following the commencement of public trade of the Company’s stock. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Mr. Fraser had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On January 9, 2007, we issued an aggregate of 175,000 shares of our Class “A” common stock to Worth Equity Fund, L.P., at a price per share of \$0.0857, for an aggregate of \$15,000 cash. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Worth Equity Fund, L.P. had the necessary investment intent as required by Section 4 (2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On May 31, 2007 we issued an aggregate of 1,687,500 shares of our Class “A” common stock to Lion Equity, at a price per share of \$0.08, for an aggregate of \$135,000 cash. In addition, on September 12, 2007 we issued an aggregate of 2,812,500 shares of our Class “A” common stock to Lion Equity pursuant to the Securities Purchase Agreement. These shares were issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the “Act”). These shares of our common stock qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance shares by us did not involve a public offering. The offering was not a “public offering” as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of shares offered. We did not undertake an offering in which we sold a high number of shares to a high number of investors. In addition, Lion Equity had the necessary investment intent as required by Section 4(2) since he agreed to and received share certificates bearing a legend stating that such shares are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these shares would not be immediately redistributed into the market and therefore not be part of a “public offering.” Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

On September 12, 2007, we completed a Regulation D Rule 506 offering in which we sold 9,016,500 shares of common stock to 32 investors, at a price per share of \$.03 for an aggregate offering price \$270,195. The following sets forth the identity of the class of persons to whom we sold these shares and the amount of shares for each shareholder:

Sean March	4,000,000
Nicholas G. Kontos	2,250,000
Edward M. Defeudis	830,000
Woodland Hills Fund, SA	600,000
Coral Springs Fund, SA	300,000
Kristin Lee Sirota	10,000
Ann Harvey	10,000
Barry S. Wattenberg	10,000
Lucie Rousse	10,000
Karen E. Gallagher	6,000
Kyan W. Kraus	6,000
Carlos E. Gauch	5,000
Sarah Ferreira	5,000
Caroline Sirota	5,000
Priscila Ferreira	2,500
Gene Defeudis	830,000
Heidi Thompson	5,000
Frank Thompson	5,000
Jonathan Sweet	10,000
Gary Lam	2,500
Frank Dantimo	6,000
Denise M Demarco Dantimo	6,000
Sirota & Associates PA	54,000
JR Acquisitions & Consultants	28,000
Marcos A. Lopez, Jr.	2,500
Olga C. Lopez	2,500
Camila Camargo	2,500
Bizmar Martinez	2,500
Michelle Y. Galletto	2,500
Inversiones G & G Corp.	2,500
Douglas Nicaragua	2,500
Michael L. Price	3,000

The Common Stock issued in our Regulation D, Rule 506 Offering was issued in a transaction not involving a public offering in reliance upon an exemption from registration provided by Rule 506 of Regulation D of the Securities Act of 1933. In accordance with Section 230.506 (b)(1) of the Securities Act of 1933, these shares qualified for exemption under the Rule 506 exemption for this offerings since it met the following requirements set forth in Reg. ss.230.506:

- (A) No general solicitation or advertising was conducted by us in connection with the offering of any of the Shares.
- (B) At the time of the offering we were not: (1) subject to the reporting requirements of Section 13 or 15 (d) of the Exchange Act; or (2) an “investment company” within the meaning of the federal securities laws.

We have never utilized an underwriter for an offering of our securities. Other than the securities mentioned above, we have not issued or sold any securities.

**Equity Compensation Plan Information**

The following table sets forth certain information as of December 31, 2007, with respect to compensation plans under which our equity securities are authorized for issuance:

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation Plans approved by Security holders	None		
Equity compensation Plans not approved By security holders	None		
Total			

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### **Caution Regarding Forward-Looking Information**

Certain statements contained herein, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this prospectus and investors are cautioned not to place undue reliance on such forward-looking statements.

### **Plan of Operations**

During the next twelve months, we expect to take the following steps in connection with the further development of our business and the implementation of our plan of operations:

- » We expect to spend approximately \$150,000 on collaborative research and development of high strength polymers at the University of Notre Dame over the next twelve months. We believe that this research is essential to our product development. If our financing will allow, management will give strong consideration to accelerating the pace of spending on research and development within the University of Notre Dame's laboratories.
- » We expect to spend approximately \$13,800 on collaborative research and development of high strength polymers and spider silk protein at the University of Wyoming over the next twelve months. We believe that this research is important to our product development. This level of research spending at the university is also a requirement of our licensing agreement with the university. If our financing will allow, management will give strong consideration to accelerating the pace of spending on research and development within the University of Wyoming's laboratories.
- » We will actively consider pursuing collaborative research opportunities with other university laboratories in the area of high strength polymers. If our financing will allow, management will give strong consideration to increasing the depth of our research to include polymer production technologies that are closely related to our core research
- » We will consider buying an established revenue producing company which is operating in the biotechnology arena, in order to broaden our financial base and increase our research and development capability. We expect to use a combination of stock and cash for any such purchase.
- » We will also actively consider pursuing collaborative research opportunities with university laboratories in areas of research which overlap the company's existing research and development. One such potential area for collaborative research which the company is considering is protein expression platforms. If our financing will allow, management will give strong consideration to increasing the breadth of our research to include protein expression platform technologies.

### **Limited Operating History**

We have not previously demonstrated that we will be able to expand our business through an increased investment in our research and development efforts. We cannot guarantee that the research and development efforts described in this Registration Statement will be successful. Our business is subject to risks inherent in growing an enterprise, including limited capital resources, risks inherent in the research and development process and possible rejection of our products in development.

If financing is not available on satisfactory terms, we may be unable to continue expanding our operations. Equity financing will result in a dilution to existing shareholders.

### **Results of Operations for the Year Ended December 31, 2007.**

Revenue for the year ended December 31, 2007 was \$0. This compares to \$0 in revenue for the preceding period dated from August 25, 2006 through December 31, 2006. No sales are anticipated during the next twelve months as the company will remain in the research and development stage.

Research and development expenses for the year ended December 31, 2007 was \$177,019. This compares to \$164,913 spent on research and development in the period from August 25, 2006 to December 31, 2006.

### **Capital Resources and Liquidity**

As of December 31, 2007 we had \$105,818 in cash.

We believe we can not satisfy our cash requirements for the next twelve months with our current cash. Completion of our plan of operation is subject to attaining adequate financing. We cannot assure investors that adequate financing will be available. In the absence of such financing, we may be unable to proceed with our plan of operations.

We anticipate that our operational, and general & administrative expenses for the next 12 months will total approximately \$400,000. We do not anticipate the purchase or sale of any significant equipment. We also do not expect any significant additions to the number of employees. The foregoing represents our best estimate of our cash needs based on current planning and business conditions. The exact allocation, purposes and timing of any monies raised in subsequent private financings may vary significantly depending upon the exact amount of funds raised and our progress with the execution of our business plan.

In the event we are not successful in obtaining financing, we may not be able to proceed with our business plan for the research and development of our products. We anticipate that we will incur operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

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

We do not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

ITEM 7. FINANCIAL STATEMENTS

**Kraig Biocraft Laboratories, Inc.**  
**(A DEVELOPMENT STAGE COMPANY)**

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**Webb & Company, P.A.**  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of:  
Kraig Biocraft Laboratories, Inc.

We have audited the accompanying balance sheets of Kraig Biocraft Laboratories, Inc., (a development stage company), as of December 31, 2007 and 2006 and the related statements of operations, changes in stockholders' deficiency and cash flows for the year ended December 31, 2007, the period April 25, 2006 (Inception) to December 31, 2006 and the period April 25, 2006 (Inception) to December 31, 2007. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Kraig Biocraft Laboratories, Inc. as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007, the period April 25, 2006 (Inception) to December 31, 2006 and the period April 25, 2006, (Inception) to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company is in the development stage with a working capital and stockholders' deficiency of \$182,197 and used \$421,077 of cash in operations from inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ WEBB & COMPANY, P.A.  
WEBB & COMPANY, P.A.  
*Certified Public Accountants*

Boynton Beach, Florida February 29, 2008,

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**Kraig Biocraft Laboratories, Inc.**  
**(A Development Stage Company)**  
**Balance Sheets**

**ASSETS**

	<u>12/31/2007</u>	<u>12/31/2006</u>
<b>Current Assets</b>		
Cash	\$ 105,818	\$ 390
Prepaid Expenses	12,500	-
<b>Total Assets</b>	<b><u>\$ 118,318</u></b>	<b><u>\$ 390</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 22,121	\$ 9,133
Payroll Tax Payable	10,352	-
Stockholder Loans	-	10,000
Royalty agreement payable - related party	120,000	107,143
Accrued Expenses	148,042	131,820
<b>Total Current Liabilities</b>	<b><u>300,515</u></b>	<b><u>258,096</u></b>
<b>Commitments and Contingencies</b>	-	-
<b>Stockholders' Deficiency</b>		
Preferred stock, no par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock Class A, no par value; 60,000,000 shares authorized, 49,934,850 and 33,883,350 shares issued and outstanding during 2007 and 2006, respectively	779,050	146,180
Common stock Class B, no par value; 25,000,000 shares authorized, no shares issued and outstanding	-	-
Additional paid-in capital	42,060	126,435
Deficit accumulated during the development stage	(1,003,307)	(530,321)
<b>Total Stockholders' Deficiency</b>	<b><u>(182,197)</u></b>	<b><u>(257,706)</u></b>
<b>Total Liabilities and Stockholders' Deficiency</b>	<b><u>\$ 118,318</u></b>	<b><u>\$ 390</u></b>

See accompanying notes to financials statements

**Kraig Biocraft Laboratories, Inc.**  
**(A Development Stage Company)**  
**Statements of Operations**

	<b>For the Year Ended December 31, 2007</b>	<b>For the Period April 25, 2006 (Inception) to December 31, 2006</b>	<b>For the Period from April 25, 2006 (Inception) to December 31, 2007</b>
<b>Revenue</b>	\$ -	\$ -	\$ -
<b>Operating Expenses</b>			
General and Administrative	40,798	7,843	48,641
Professional Fees	49,759	-	49,759
Officer's Salary	196,100	249,768	445,868
Contract Settlement	-	107,143	107,143
Payroll Taxes	9,188	-	9,188
Research and Development	177,019	164,913	341,932
<b>Total Operating Expenses</b>	<u>472,864</u>	<u>529,667</u>	<u>1,002,531</u>
<b>Loss from Operations</b>	(472,864)	(529,667)	(1,002,531)
<b>Other Expense</b>			
Interest Expense	(122)	(654)	(776)
<b>Total Other Income</b>	<u>(122)</u>	<u>(654)</u>	<u>(776)</u>
<b>Net Loss before Provision for Income Taxes</b>	<u>(472,986)</u>	<u>(530,321)</u>	<u>(1,003,307)</u>
<b>Provision for Income Taxes</b>	-	-	-
<b>Net Loss</b>	<u>\$ (472,986)</u>	<u>\$ (530,321)</u>	<u>\$ (1,003,307)</u>
<b>Net Loss Per Share - Basic and Diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	
<b>Weighted average number of shares outstanding during the period - Basic and Diluted</b>	<u>41,162,532</u>	<u>32,950,041</u>	

See accompanying notes to financial statements

**Kraig Biocraft Laboratories, Inc.**  
**(A Development Stage Company)**  
**Statement of Changes in Stockholders Deficit**  
**For the period from April 25, 2006 (inception) to December 31, 2007**

	Preferred Stock		Common Stock - Class A		Common Stock - Class B		APIC	Deficit Accumulated during Development Stage	Total
	Shares	Par	Shares	Par	Shares	Par			
Balance, April 25, 2006	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Stock issued to founder	-	-	33,229,200	180	-	-	-	-	180
Stock issued for services (\$0.08/share)	-	-	1,750,000	140,000	-	-	-	-	140,000
Stock issued for services (\$0.08/share)	-	-	70,000	5,600	-	-	-	-	5,600
Stock contributed by shareholder	-	-	(1,166,650)	-	-	-	-	-	-
Stock issued for cash (\$2.00/share)	-	-	400	200	-	-	-	-	200
Stock issued for cash (\$2.00/share)	-	-	400	200	-	-	-	-	200
Fair value of warrants issued	-	-	-	-	-	-	126,435	-	126,435
Net Loss	-	-	-	-	-	-	-	(530,321)	(530,321)
Balance, December 31, 2006	-	-	33,883,350	146,180	-	-	126,435	(530,321)	(257,706)
Stock issued for cash (\$0.09/share)	-	-	175,000	15,000	-	-	-	-	15,000
Stock issued for cash (\$0.09/share)	-	-	1,200,000	103,000	-	-	-	-	103,000
Stock issued for cash (\$0.003/share)	-	-	900,000	3,000	-	-	-	-	3,000
Stock issued for cash (\$0.08/share)	-	-	187,500	15,000	-	-	-	-	15,000
Stock issued for cash (\$0.08/share)	-	-	187,500	15,000	-	-	-	-	15,000
Stock issued for services (\$0.08/share)	-	-	200,000	16,000	-	-	-	-	16,000
Stock issued for cash (\$0.08/share)	-	-	1,312,500	105,000	-	-	-	-	105,000
Stock issued for cash (\$0.03/share)	-	-	8,049,500	241,485	-	-	-	-	241,485
Stock issued for cash (\$0.03/share)	-	-	20,000	600	-	-	-	-	600
Stock issued for cash (\$0.03/share)	-	-	830,000	24,900	-	-	-	-	24,900
Stock issued for cash (\$0.03/share)	-	-	2,500	75	-	-	-	-	75
Stock issued for cash (\$0.03/share)	-	-	12,000	360	-	-	-	-	360

Stock issued for cash (\$.03/share)	-	-	102,500	3,075	-	-	-	-	3,075
Stock issued in connection to cash offering	-	-	2,812,500	84,375	-	-	(84,375)	-	-
Stock issued for services (\$.10/share)	-	-	60,000	6,000	-	-	-	-	6,000
Net loss, for the year ended December 31, 2007	-	-	-	-	-	-	-	(472,986)	(472,986)
<b>Balance, December 31, 2007</b>	-	<b>\$ -</b>	<b>49,934,850</b>	<b>\$ 779,050</b>	-	<b>\$ -</b>	<b>\$ 42,060</b>	<b>\$ (1,003,307)</b>	<b>\$ (182,197)</b>

See accompanying notes to financials statements

**Kraig Biocraft Laboratories, Inc.**  
**(A Development Stage Company)**  
Statement of Cash Flows

	<b>For the Year Ended December 31, 2007</b>	<b>For the Period April 25, 2006 (Inception) to December 31, 2006</b>	<b>For the Period from April 25, 2006 (Inception) to December 31, 2007</b>
<b>Cash Flows From Operating Activities:</b>			
Net Loss	\$ (472,986)	\$ (530,321)	\$ (1,003,307)
Adjustments to reconcile net loss to net cash used in operations			
Stock issued for services	22,000	145,780	167,780
Warrants issued to employees	-	126,435	126,435
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(12,500)	-	(12,500)
Increase in accrued expenses and other payables	26,574	131,820	158,394
Increase in royalty agreement payable - related party	12,857	107,143	120,000
Increase in accounts payable	12,988	9,133	22,121
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(411,067)</b>	<b>(10,010)</b>	<b>(421,077)</b>
<b>Cash Flows From Financing Activities:</b>			
Proceeds from Notes Payable - Stockholder	-	10,000	10,000
Repayments of Notes Payable - Stockholder	(10,000)	-	(10,000)
Proceeds from issuance of common stock	526,495	400	526,895
<b>Net Cash Provided by Financing Activities</b>	<b>516,495</b>	<b>10,400</b>	<b>526,895</b>
<b>Net Increase (Decrease) in Cash</b>	<b>105,428</b>	<b>390</b>	<b>105,818</b>
Cash at Beginning of Period/Year	390	-	-
<b>Cash at End of Period/Year</b>	<b>\$ 105,818</b>	<b>\$ 390</b>	<b>\$ 105,818</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	\$ -	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -	\$ -

**SUPPLEMENTAL DISCLOSURE OF NON CASH ITEMS**

During the period ended December 31, 2006, the principal stockholder contributed 1,166,650 shares of common stock to the Company as an in kind contribution of stock. The shares were retired by the Company.

In accordance with the May 2007 stock purchase agreement which contains an anti-dilution clause which requires the Company to issue additional common shares under the stock purchase agreement for any subsequent issuance at a price below \$.08 per share for a period of 12 months. The Company has issued 2,812,500 additional shares through September 2007 as a result of the subsequent stock issuances in the amount of \$84,375 (\$.03/share).

See accompanying notes to financial statements

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**DECEMBER 31, 2007 and 2006**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**(A) Organization**

Kraig Biocraft Laboratories, Inc. (a development stage company) (the "Company") was incorporated under the laws of the State of Wyoming on April 25, 2006. The Company was organized to develop high strength, protein based fiber, using recombinant DNA technology, for commercial applications in the textile and specialty fiber industries.

Activities during the development stage include developing the business plan, negotiating intellectual property agreements and raising capital.

**(B) Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

**(C) Cash**

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

**(D) Loss Per Share**

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by Financial Accounting Standards No. 128, "Earnings per Share." As of December 31, 2007 and 2006, the Company does not have any dilutive securities outstanding.

**(E) Research and Development Costs**

The Company expenses all research and development costs as incurred for which there is no alternative future use. These costs also include the expensing of employee compensation and employee stock based compensation.

**(F) Income Taxes**

The Company accounts for income taxes under the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109").

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of December 31, 2007, and 2006 the Company has a net operating loss carry forward of approximately \$852,061 and \$403,866, respectively, available to offset future taxable income through 2027. The valuation allowance at December 31, 2007 was \$289,701. The change in the valuation allowance for the year ended December 31, 2007 and 2006 was an increase of \$152,380 and \$137,321, respectively.

**(G) Stock-Based Compensation**

The Company has adopted the provisions of SFAS No. 123R and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Common stock, stock options and common stock warrants issued to other than employees or directors are recorded on the basis of their fair value, as required by SFAS No. 123(R), which is measured as of the date required by EITF Issue 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." In accordance with EITF 96-18, the stock options or common stock warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying common stock on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes option pricing model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

**(H) Business Segments**

The Company operates in one segment and therefore segment information is not presented.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

**(I) Recent Accounting Pronouncements**

In June 2007, the Emerging SEC's Issues Task Force ("EITF") issued EITF No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, ("EITF 07-3"). EITF 07-3 provides guidance for upfront payments related to goods and services of research and development costs and is effective for fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of EITF 07-3 on its financial statements.

In June 2007, the EITF issued EITF No. 07-01, *Accounting for Collaborative Arrangements*, ("EITF 07-1"). EITF 07-1 provides guidance for companies in the biotechnology or pharmaceutical industries that may enter into agreements with other companies to collaboratively develop, manufacture, and market a drug candidate (Collaboration Agreements) and is effective for fiscal years beginning after December 15, 2007. The Company does not expect that EITF 07-01 will have an effect on its financial condition or results of operations.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("FAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of FAS 157 to significantly affect its financial condition or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of SFAS 115* ("FAS 159"), which permits companies to choose to measure many financial instruments and certain other items at fair value. FAS 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the effect FAS 159 will have on our consolidated financial position and results of operations

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*". This statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

**(J) Concentration of Credit Risk**

The Company at times has cash in bank in excess of FDIC insurance limits. At December 31, 2007 the Company had approximately \$7,392 in excess of FDIC insurance limits.

**(K) Reclassification**

The 2006 financial statements have been reclassified to conform to the 2007 presentation.

**NOTE 2 GOING CONCERN**

As reflected in the accompanying financial statements, the Company is in the development stage, has a working capital deficiency and stockholders deficiency of \$182,197 and used \$421,077 of cash in operations from inception. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern.

**NOTE 3 STOCKHOLDERS' DEFICIT**

**(A) Common Stock Issued for Cash**

On January 8, 2007 the Company issued 175,000 shares of common stock for \$15,000 (\$0.09/share). This agreement was subsequently terminated effective May 23, 2007.

On January 22, 2007 the Company issued 1,200,000 shares of common stock for \$103,000 (\$0.09/share). In addition, 900,000 shares were issued for \$3,000 (\$0.0033/share).

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

On April 28, 2006, the Company issued 800 shares of common stock for cash of \$400 (\$0.50 per share).

On April 4, 2007, the Company issued 187,500 shares of common stock for cash of \$15,000 (\$0.08 per share).

On April 20, 2007, the Company issued 187,500 shares of common stock for cash of \$15,000 (\$0.08 per share).

On May 18, 2007, the Company issued 1,312,500 shares of common stock for cash of \$105,000 (\$0.08 per share).

On August 28, 2007 the Company entered into a stock purchase agreement to issue 8,049,500 shares common stock in the amount of \$241,485 (\$0.03/share).

On August 29, 2007 the Company entered into a stock purchase agreement to issue 20,000 shares common stock in the amount of \$600 (\$0.03/share).

On August 29, 2007 the Company entered into a stock purchase agreement to issue 830,000 shares common stock in the amount of \$24,900 (\$0.03/share).

On September 1, 2007 the Company entered into a stock purchase agreement to issue 2,500 shares common stock in the amount of \$75 (\$0.03/share).

On September 5, 2007 the Company entered into a stock purchase agreement to issue 12,000 shares common stock in the amount of \$360 (\$0.03/share).

On September 12, 2007 the Company entered into a stock purchase agreement to issue 102,500 shares common stock in the amount of \$3,075(\$0.03/share).

In accordance with the May 2007 stock purchase agreement which contains an anti-dilution clause which requires the Company to issue additional common shares under the stock purchase agreement for any subsequent issuance at a price below \$.08 per share for a period of 12 months. The Company has issued 2,812,500 additional shares through September 2007 as a result of the subsequent stock issuances \$.03/share.

**(B) Common Stock Issued for Intellectual Property**

On April 26, 2006, the Company issued 33,229,200 shares of common stock to its founder having a fair value of \$180 (\$0.000005/share) in exchange for intellectual property. The fair value of the patent was determined based upon the historical cost of the intellectual property contributed by the founder.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

**(C) Common Stock Issued for Services**

On May 8, 2006, the Company entered into a license agreement for research and development. Pursuant to the terms of the agreement, the Company issued 1,750,000 of common stock upon execution of the agreement. The Company also received a five-year call option from the license holder to repurchase 700,000 common shares at an exercise price of \$150,000 or \$.21 per share. The option gives the Company the right, but not the obligation to repurchase the shares of common stock. The call option expires May 4, 2011. As of December 31, 2007 the fair value of the call option was less than the exercise price of the option and no value has been recorded for the option (See Note 4).

On July 1, 2006 the Company entered into a five year consulting agreement for research and development. Pursuant to the terms of the agreement, the Company paid 70,000 shares of common stock upon execution. These shares had a fair value of \$5,600 (\$0.08/share) based upon the recent cash offering price. Additionally, 200,000 shares of common stock were issued on May 18, 2007 with a fair value of \$16,000 (\$0.08/share). As of December 31, 2007 the Company issued 60,000 shares of common stock for consulting services rendered with a fair value of \$6,000 (\$0.10/share).

**(D) Cancellation and Retirement of Common Stock**

On December 29, 2006, the Company's founder returned 1,166,650 shares of common stock to the Company. These shares were cancelled and retired. Accordingly, the net effect on equity is \$0.

**(E) Common Stock Warrants**

During 2006, the Company issued 4,200,000 warrants to an officer under his employment agreement. The Company recognized an expense of \$126,435 for the period from inception to December 31, 2006. The Company recorded the fair value of the warrants based on the fair value of each warrant grant estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2006, dividend yield of zero, expected volatility of 183%; risk-free interest rates of 4.98%, expected life of one year. The warrants vested immediately. The options expire between 5 and 9 years from the date of issuance and have an exercise price of between \$.21 and \$.40 per share. During November 2006, the Company and the officer entered into an amendment to the employment agreement whereby all the warrants were retired.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

**NOTE 4**   **COMMITMENTS AND CONTINGENCIES**

**(A) Employment Agreement**

On April 26, 2006, the Company entered into a five-year employment agreement with the Company's Chairman and Chief Executive Officer. The agreement renews annually so that at all times, the term of the agreement is five years. Pursuant to this agreement, the Company will pay an annual base salary of \$185,000 for the period May 1, 2006 through December 31, 2006. Base pay will be increased each January 1<sup>st</sup>, for the subsequent twelve month periods by six percent. The officer will also be entitled to life, disability, health and dental insurance. In addition, the officer received 700,000 five year warrants at an exercise price of \$.21 per share, 1,500,000 eight year warrants at an exercise price of \$ .33 per share and 2,000,000 nine year warrants at an exercise price of \$ .40 per share (See Note 3(E)). The warrants fully vested on the date of grant. The agreement also calls for the issuance of warrants and increase in the officer's base compensation upon the Company reaching certain milestones:

1. Upon the Company's successful laboratory development of a new silk fiber composed of one or more proteins that are exogenous to a host, the Company will issue 500,000 eight year warrants at an exercise price of \$.20 per share and raise executive's base salary by 14%.
2. Upon the Company's successful laboratory development of a new silk fiber composed of two or more proteins that are exogenous to a host, the Company will issue 600,000 eight year warrants at an exercise price of \$.18 per share and raise executive's base salary by 15%.
3. Upon the Company's successful laboratory development of a new silk fiber composed of at least in part of one or more synthetic proteins, the Company will issue 900,000 eight year warrants at an exercise price of \$.18 per share and raise executive's base salary by 18%.
4. Upon the Company's successful laboratory development of a new silk fiber composed of at least in part of one or more proteins that are genetic modifications or induced mutations of a host silk protein, the Company will raise the executive's base salary by 8%.
5. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$35 million for over 120 calendar day period, the executive's base salary will increase to \$225,000.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

6. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$65 million for over 91 calendar day period, the executive's base salary will increase to \$260,000.
7. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$100 million for over 91 calendar day period, the executive's base salary will increase to \$290,000.
8. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$200 million for over 120 calendar day period, the executive's base salary will increase to \$365,000.
9. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$350 million for over 150 calendar day period, the executive's base salary will increase to \$420,000.

On November 6, 2006, the Company entered into an addendum to the employment agreement whereby the officer agreed to retire all stock warrants issued or to be issued under his employment agreement in return for an increase in his severance allowance to \$600,000 or seventy five percent of total salary due under the remaining term of the employment agreement, which ever is greater and a death benefit of \$300,000 or thirty five percent of the total salary due under the remaining term of the employment agreement.

In addition, upon expiration or termination of the employment agreement, the Company agrees to keep the officer employed as a consultant for a period of six years at a rate of \$4,000 per month with annual increases of 3%. The agreement also calls for certain increases based on milestones reached by the company, including:

1. If the company achieves gross sales exceeding \$10 million or net income exceeding \$1 million for any two years within the ten year period after the date of this agreement or a market capitalization in excess of \$45 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 10 years.
2. If the company achieves gross sales exceeding \$19 million or net income exceeding \$3 million for any two years within the twelve year period after the date of this agreement or a market capitalization in excess of \$65 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$6,500 per month with a 3% annual increase.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 and 2006**

3. If the company achieves gross sales exceeding \$38 million or net income exceeding \$6 million for any two years within the twelve year period after the date of this agreement or a market capitalization in excess of \$120 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$10,000 per month with a 3% annual increase.

4. If the company achieves gross sales exceeding \$59 million or net income exceeding \$9 million for any year within the twelve year period after the date of this agreement or a market capitalization in excess of \$210 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$15,000 per month with a 3% annual increase.

5. If the company achieves gross sales exceeding \$78 million or net income exceeding \$12 million for any year within the twelve year period after the date of this agreement or a market capitalization in excess of \$320 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$20,000 per month with a 3% annual increase.

**(B) License Agreement**

On May 8, 2006, the Company entered into a license agreement. Pursuant to the terms of the agreement, the Company paid a non-refundable license fee of \$10,000. The Company will pay a license maintenance fee of \$10,000 on the one year anniversary of this agreement and each year thereafter. The Company will pay an annual research fee of \$13,700 with first payment due January 2007, then on each subsequent anniversary of the effective date commencing May 4, 2007. Pursuant to the terms of the agreement the Company may be required to pay additional fees aggregating up to a maximum of \$10,000 a year for patent maintenance and prosecution relating to the licensed intellectual property. (See Note 3(C))

**(C) Royalty and Research Agreements**

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with an officer. In consideration of the Company issuing either 200,000 preferred shares with the following preferences; no dividends and voting rights equal to 100 common shares per share of preferred stock or the payment of \$120,000, the officer agreed to terminate the royalty payments due under the agreement and give title to the exclusive license for the non protective apparel use of the intellectual property to the Company. On the date of the agreement, the Company did not have any preferred stock authorized with the required preferences.

**KRAIG BIOCRAFT LABORATORIES, INC.**  
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In accordance with SFAS 150, the Company determined that the present value of the payment of \$120,000 that was due on December 26, 2007, the one year anniversary of the addendum, should be recorded as an accrued expense until such time as the Company has the ability to assert that it has preferred shares authorized. As of December 31, 2007, the Company has recorded \$120,000 in accrued expenses- related party. On December 21, 2007 the officer extended the due date to July 30, 2008.

On February 1, 2007 the Company entered into a consulting agreement for research and development for a period of one year. Pursuant to the terms of the agreement, the Company paid \$50,000 upon execution. As of December 31, 2007, the initial payment of \$50,000 and the first and second installments of \$50,000 have been paid for a total amount of \$150,000. The consulting agreement is being amortized over the life of the contract.

On February 26, 2007 the Company entered into a five year consulting agreement for research and development. Pursuant to the terms of the agreement, the Company paid 200,000 shares of common stock upon execution. These shares had a fair value of \$16,000 (\$0.08/share) based upon the recent cash offering price. Additionally, the Company will be required to pay \$1,000 per month, or at the Company's option, the consulting fee may be paid in the form of Company common stock based upon the greater of \$0.10 per share or the average of the closing price of the Company's shares over the five days preceding such stock issuance. As of December 31, 2007 the Company issued 60,000 shares of common stock for consulting services rendered with a fair value of \$6,000 (\$0.10/share). The agreement also requires the Company to issue up to 450,000 additional shares to the consultant upon the consultant reaching certain milestone events. As of December 31, 2007, the consultant has not reached the milestone events and no additional shares are earned.

**NOTE 5** **RELATED PARTY TRANSACTIONS**

On October 6, 2006 the Company received \$10,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 12%, is unsecured and matures on May 1, 2007. At December 31, 2007, the Company recorded interest expense and related accrued interest payable of \$776. As of December 31, 2007, the loan principle was repaid.

During 2006, the Company entered into addendum to the Intellectual Property transaction and agreed to issue the CEO either 20,000 preferred shares or a payment of \$120,000 (See Note 4 (C)).

On January 1, 2007, the company entered into a one year lease agreement with an officer for office space. The agreement calls for monthly rent of \$100 plus the reimbursement to officer for internet services at \$50 per month. Payments under the agreement totaled \$1,800 for the year ended December 31, 2007.

**NOTE 6** **SUBSEQUENT EVENT**

On January 15, 2008 the Company issued 40,000 shares of common stock for consulting services rendered with a fair value of \$4,000 (\$0.10/share) (See Note 4(C)).

**ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 8A. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of December 31, 2007. Based on this evaluation, our principal executive officer and principal financial officers have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

**Changes in internal controls**

We have not made any changes to our internal controls subsequent to the Evaluation Date. We have not identified any deficiencies or material weaknesses or other factors that could significantly affect these controls, and therefore, no corrective action was taken.

**PART III**

**ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS: COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT**

The sole director and executive officer of the Company is:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Date Appointed</b>
Kim Thompson	46	President, Chief Executive Officer, Director	April 25, 2006

Set forth below is a brief description of the background and business experience of our sole executive officer and director for the past five years:

**KIM THOMPSON.**

Mr. Thompson was a founder of the California law firm of Ching & Thompson which was founded in 1997 where he specialized in commercial litigation. He has been a partner in the Illinois law firm of McJessy, Ching & Thompson since 2004 where he also specializes in commercial litigation. Mr. Thompson received his bachelor's degree in applied economics from James Madison College, Michigan State University, and his Juris Doctorate from the University of Michigan.

**Term of Office**

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board. Mr. Thompson is employed as the CEO of the company pursuant to a five year employment contract.

Our officer and director has not filed any bankruptcy petition, been convicted of or been the subject of any criminal proceedings or the subject of any order, judgment or decree involving the violation of any state or federal securities laws within the past five (5) years.

**Certain Legal Proceedings**

No director, nominee for director, or executive officer of the Company has appeared as a party in any legal proceeding material to an evaluation of his ability or integrity during the past five years.

**Compliance With Section 16(A) Of The Exchange Act.**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and are required to furnish copies to the Company. To the best of the Company's knowledge, any reports required to be filed were timely filed in fiscal year ended December 31, 2007.

**Code of Ethics**

We have adopted a Code of Ethics applicable to our Chief Executive (Officer and Chief Financial Officer. This Code of Ethics is filed herewith as an exhibit.

**ITEM 9A. CONTROLS AND PROCEDURES**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Accounting Officer ("CAO") (the Company's principal financial and accounting officer), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CAO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

**Management's Report on Internal Controls over Financial Reporting**

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of consolidated financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Company's CEO and CAO, does not expect that the Company's disclosure controls and procedures or the Company's internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2007.

**ITEM 10. EXECUTIVE COMPENSATION**

**Compensation of Executive Officers**

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officers paid by us during the fiscal years ended December 31, 2007 and 2006 in all capacities for the accounts of our executives, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Non-Qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Totals (\$)</b>
Kim Thompson President, Chief Executive Officer and Director	2006	\$ 123,333 <sup>(1)</sup>	0	0	\$ 126,435 <sup>(2)</sup>	0	0	0	\$ 249,768
	2007	\$ 196,100	0	0	0	0	0	8,204 <sup>(3)</sup>	\$ 204,304

- 1) Prorated based upon a salary of \$185,000 for the year such amount has not been paid but has been accrued.
- 2) None of the options were exercised and have been subsequently cancelled.
- 3) For the calendar year 2007, Kim Thompson is to receive \$7,229 in medical and dental insurance as well as \$950 for automobile expenses pursuant to an employment agreement entered into with us.

**Option Grants Table.** There were no individual grants of stock options to purchase our common stock made to the executive officer named in the Summary Compensation Table from January 1, 2007 through December 31, 2007. Warrants were granted to the executive officer in 2006, however the same have been returned to the corporation unexercised, and have been terminated.

**Aggregated Option Exercises and Fiscal Year-End Option Value Table.** There were no stock options exercised during period ending December 31, 2007, by the executive officer named in the Summary Compensation Table.

**Long-Term Incentive Plan (“LTIP”) Awards Table.** There were no awards made to a named executive officer in the last completed fiscal year under any LTIP

**Employment Agreement**

On April 26, 2006, the Company entered into a five-year employment agreement with the Company’s Chairman and Chief Executive Officer. The agreement renews annually so that at all times, the term of the agreement is five years. Pursuant to this agreement, the Company will pay an annual base salary of \$185,000 for the period May 1, 2006 through December 31, 2006. Base pay will be increased each January 1st, for the subsequent twelve month periods by six percent. The officer will also be entitled to life, disability, health and dental insurance. In addition, the officer received 700,000 five year warrants at an exercise price of \$.21 per share, 1,500,000 eight year warrants at an exercise price of \$ .33 per share and 2,000,000 nine year warrants at an exercise price of \$ .40 per share (See Note 3(E)). The warrants fully vested on the date of grant. The agreement also calls for the issuance of warrants and increase in the officer’s base compensation upon the Company reaching certain milestones:

1. Upon the Company’s successful laboratory development of a new silk fiber composed of one or more proteins that are exogenous to a host, the Company will issue 500,000 eight year warrants at an exercise price of \$.20 per share and raise executive’s base salary by 14%.
2. Upon the Company’s successful laboratory development of a new silk fiber composed of two or more proteins that are exogenous to a host, the Company will issue 600,000 eight year warrants at an exercise price of \$.18 per share and raise executive’s base salary by 15%.
3. Upon the Company’s successful laboratory development of a new silk fiber composed of at least in part of one or more synthetic proteins, the Company will issue 900,000 eight year warrants at an exercise price of \$.18 per share and raise executive’s base salary by 18%.
4. Upon the Company’s successful laboratory development of a new silk fiber composed of at least in part of one or more proteins that are genetic modifications or induced mutations of a host silk protein, the Company will raise the executive’s base salary by 8%.
5. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$35 million for over 120 calendar day period, the executive’s base salary will increase to \$225,000.

6. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$65 million for over 91 calendar day period, the executive's base salary will increase to \$260,000.
7. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$100 million for over 91 calendar day period, the executive's base salary will increase to \$290,000.
8. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$200 million for over 120 calendar day period, the executive's base salary will increase to \$365,000.
9. Upon the Company becoming either a registered company or upon its stock trading and the company achieving a market capitalization in excess of \$350 million for over 150 calendar day period, the executive's base salary will increase to \$420,000.

On November 6, 2006, the Company entered into an addendum to the employment agreement whereby the officer agreed to retire all stock warrants issued or to be issued under his employment agreement in return for an increase in his severance allowance to \$600,000 or seventy five percent of total salary due under the remaining term of the employment agreement, which ever is greater and a death benefit of \$300,000 or thirty five percent of the total salary due under the remaining term of the employment agreement.

In addition, upon expiration or termination of the employment agreement, the Company agrees to keep the officer employed as a consultant for a period of six years at a rate of \$4,000 per month with annual increases of 3%. The agreement also calls for certain increases based on milestones reached by the company, including:

1. If the company achieves gross sales exceeding \$10 million or net income exceeding \$1 million for any two years within the ten year period after the date of this agreement or a market capitalization in excess of \$45 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 10 years.
2. If the company achieves gross sales exceeding \$19 million or net income exceeding \$3 million for any two years within the twelve year period after the date of this agreement or a market capitalization in excess of \$65 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$6,500 per month with a 3% annual increase.
3. If the company achieves gross sales exceeding \$38 million or net income exceeding \$6 million for any two years within the twelve year period after the date of this agreement or a market capitalization in excess of \$120 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$10,000 per month with a 3% annual increase.
4. If the company achieves gross sales exceeding \$59 million or net income exceeding \$9 million for any year within the twelve year period after the date of this agreement or a market capitalization in excess of \$210 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$15,000 per month with a 3% annual increase.
5. If the company achieves gross sales exceeding \$78 million or net income exceeding \$12 million for any year within the twelve year period after the date of this agreement or a market capitalization in excess of \$320 million for over 180 calendar days within six years from the date of this agreement, the term of the consulting agreement will be extended to 20 years or the life of the officer and his spouse at a rate of \$20,000 per month with a 3% annual increase.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number and percentage of shares of our common stock owned as of December 31, 2007 by all persons (i) known to us who own more than 5% of the outstanding number of such shares, (ii) by our director, and (iii) by our sole officer and director as a group. Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Owner</b>	<b>Percent of Class (1)</b>
Common Stock	Kim Thompson 120 N. Washington Square, Suite 805 Lansing, MI 48933	32,062,550	64.21%
Common Stock	Lion Equity 1001 Brickell Bay Dr, Suite 1812 Miami, FL 33131	4,500,000	9.01%
Common Stock	Sean March 8901 South Ocean Dr. #14 W. Hollywood, FL 33019	4,000,000	8.01%
Common Stock	All executive officers and directors as a group	32,062,550	64.21%

(1) The percent of class is based 49,934,850 shares of our common class "A" stock issued and outstanding as of December 31, 2007.

### Changes in Control

There are no arrangements which may result in a change in control of us

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On October 6, 2006 the Company received \$10,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 12%, is unsecured and matures on May 1, 2007. At December 31, 2007, the Company recorded interest expense and related accrued interest payable of \$776. As of December 31, 2007, the loan principle was repaid.

During 2006, the Company entered into addendum to the Intellectual Property transaction and agreed to issue the CEO either 20,000 preferred shares or a payment of \$120,000 (See Note 4 (C)).

On January 1, 2007, the company entered into a one year lease agreement with an officer for office space. The agreement calls for monthly rent of \$100 plus the reimbursement to officer for internet services at \$50 per month. Payments under the agreement totaled \$1,800 for the year ended December 31, 2007.

PART IV

ITEM 13. EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
3.1	Articles of Incorporation*
3.2	By-Laws*
14.1	Code of Ethics
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* filed as an exhibit to the SB-2 filed with the SEC on September 26, 2007

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the Company's fiscal year ended December 31, 2007 and 2006, we were billed \$10,684 and \$12,000 by our present principal accountant for professional services rendered for the audit of our financial statements.

There were no additional audit fees for the Company's fiscal year ended December 31, 2007 and 2006.

Tax Fees

For the Company's fiscal year ended December 31, 2007 and 2006, we were not billed for professional services rendered for tax compliance, tax advice, and tax planning.

All Other Fees

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2007 and 2006.

Audit and Non-Audit Service Pre-Approval Policy

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder, the Audit Committee has adopted an informal approval policy that it believes will result in an effective and efficient procedure to pre-approve services performed by the independent registered public accounting firm.

**Audit Services.** Audit services include the annual financial statement audit (including quarterly reviews) and other procedures required to be performed by the independent registered public accounting firm to be able to form an opinion on our financial statements. The Audit Committee pre-approves specified annual audit services engagement terms and fees and other specified audit fees. All other audit services must be specifically pre-approved by the Audit Committee. The Audit Committee monitors the audit services engagement and may approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope or other items.

**Audit-Related Services.** Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements which historically have been provided to us by the independent registered public accounting firm and are consistent with the SEC's rules on auditor independence. The Audit Committee pre-approves specified audit-related services within pre-approved fee levels. All other audit-related services must be pre-approved by the Audit Committee.

**Tax Services.** The Audit Committee pre-approves specified tax services that the Audit Committee believes would not impair the independence of the independent registered public accounting firm and that are consistent with SEC rules and guidance. The Audit Committee must specifically approve all other tax services.

**All Other Services.** Other services are services provided by the independent registered public accounting firm that do not fall within the established audit, audit-related and tax services categories. The Audit Committee pre-approves specified other services that do not fall within any of the specified prohibited categories of services.

**Procedures.** All proposals for services to be provided by the independent registered public accounting firm, which must include a detailed description of the services to be rendered and the amount of corresponding fees, are submitted to the Chairman of the Audit Committee and the Chief Financial Officer. The Chief Financial Officer authorizes services that have been pre-approved by the Audit Committee. If there is any question as to whether a proposed service fits within a pre-approved service, the Audit Committee chair is consulted for a determination. The Chief Financial Officer submits requests or applications to provide services that have not been pre-approved by the Audit Committee, which must include an affirmation by the Chief Financial Officer and the independent registered public accounting firm that the request or application is consistent with the SEC's rules on auditor independence, to the Audit Committee (or its Chair or any of its other members pursuant to delegated authority) for approval.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

**Kraig Biocraft Laboratories, Inc.**

By: /s/Kim Thompson  
Chief Executive Officer

Dated: March 26, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/Kim Thompson</u> Kim Thompson	Chief Executive Officer	March 26, 2008

**KRAIG BIOCRAFT LABORATORIES, INC.**  
**FINANCIAL CODE OF ETHICS**

As a public company, it is of critical importance that Kraig Biocraft Laboratories, Inc. ("KRAIG") filings with the Securities and Exchange Commission be accurate and timely. Depending on their position with KRAIG, employees may be called upon to provide information to assure that KRAIG's public reports are complete, fair, and understandable. KRAIG expects all of its employees to take this responsibility seriously and to provide prompt and accurate answers to inquiries related to KRAIG's public disclosure requirements.

KRAIG's Finance Department bears a special responsibility for promoting integrity throughout KRAIG, with responsibilities to stakeholders both inside and outside of KRAIG. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Finance Department personnel have a special role both to adhere to the principles of integrity and also to ensure that a culture exists throughout KRAIG as a whole that ensures the fair and timely reporting of KRAIG's financial results and conditions. Because of this special role, the CEO, CFO, and all members of KRAIG's Finance Department are bound by KRAIG's Financial Code of Ethics, and by accepting the Financial Code of Ethics, each agrees that they will:

- Act with honesty and integrity, avoiding actual or potential conflicts of interest in personal and professional relationships.
- Provide information that is accurate, complete, objective, relevant, timely and understandable to ensure full, fair, accurate, timely, and understandable disclosure in the reports and documents that KRAIG files with, or submits to, government agencies and in other public communications.
- Comply with the rules and regulations of federal, state and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work, except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.
- Share job knowledge and maintain skills important and relevant to stakeholders needs.
- Proactively promote and be an example of ethical behavior as a responsible partner among peers, in the work environment and in the community.
- Achieve responsible use of, and control over, all KRAIG assets and resources employed by, or entrusted to yourself, and your department.
- Receive the full and active support and cooperation of KRAIG's Officers, Sr. Staff, and all employees in the adherence to this Financial Code of Ethics.
- Promptly report to the CEO or CFO any conduct believed to be in violation of law or business ethics or in violation of any provision of this Code of Ethics, including any transaction or relationship that reasonably could be expected to give rise to such a conflict. Further, to promptly report to the Chair of KRAIG's Audit Committee such conduct if by the CEO or CFO or if they fail to correct such conduct by others in a reasonable period of time.

**CERTIFICATION  
OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Kim Thompson, certify that:

1. I have reviewed this Form 10-KSB of Kraig Biocraft Laboratories, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods present in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding there liability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the small business issuer's internal control over financing reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: March 26, 2008

/s/ Kim Thompson  
Kim Thompson  
Chief Executive Officer

**CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Yearly Report on Form 10-KSB of Kraig Biocraft Laboratories, Inc. for the year ending December 31, 2007, I, Kim Thompson, Chief Executive Officer of Kraig Biocraft Laboratories, Inc. hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Yearly Report of Form 10-KSB for the year ending December 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Yearly Report on Form 10-KSB for the year ended December 31, 2007, fairly represents in all material respects, the financial condition and results of operations of Kraig Biocraft Laboratories, Inc.

Date: March 26, 2008

**Kraig Biocraft Laboratories, Inc.**

By: /s/ Kim Thompson  
Kim Thompson  
Chief Executive Officer