Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Condensed Balance Sheet
June 30, 2007
(Unaudited)

ASSETS

Current Assets		
Cash	$	45,239
Prepaid Rent		400
Prepaid Research and Development expense		37,500
Total Assets	**$**	**83,139**

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities		
Accounts Payable	$	11,302
Payroll Tax Payable		33,912
Accrued Expenses - related party		243,556
Total Liabilities		**288,770**
Commitments and Contingencies		-
Stockholders' Deficiency		
Preferred stock, no par value; 10,000,000 shares authorized,		
no shares issued and outstanding		-
Common stock Class A, no par value; 60,000,000 shares authorized,		
38,045,850 shares issued and outstanding		418,180
Common stock Class B, no par value; 25,000,000 shares authorized,		
no shares issued and outstanding		-
Additional Paid in Capital		126,435
Accumulated deficit during development stage		(750,246)
Total Stockholders' Deficiency		**(205,631)**
Total Liabilities and Stockholders' Deficiency	**$**	**83,139**

See accompanying notes to condensed financial statements

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

	Six Months Ended June 30, 2007	For the period from April 25, 2006 (Inception) to June 30, 2006	For the Period from April 25, 2006 (Inception) to June 30, 2007
Revenue	$ -	$ -	$ -
Operating Expenses			
General and Administrative	11,233	-	11,243
Professional Fees	1,500		1,500
Officer's Salary	98,050	157,268	347,818
Payroll Taxes	7,475	2,359	15,308
Research and Development	95,169	152,463	260,082
Contract Settlement	-	-	107,143
Total Operating Expenses	213,427	312,090	743,094
Net Loss from Operations	(213,427)	(312,090)	(743,094)
Other Expense			
Interest Expense	(6,498)	(49)	(7,152)
Total Other Expense	(6,498)	(49)	(7,152)
Loss from Operations	(219,925)	(312,139)	(750,246)
Provision for Income Taxes	-	-	-
Net Loss	**$ (219,925)**	**$ (312,139)**	**$ (750,246)**
Net Loss Per Share - Basic and Diluted	**$ (0.01)**	**$ (0.01)**	
Weighted average number of shares outstanding during the period - basic and diluted	**36,361,458**	**32,726,067**	

See accompanying notes to condensed financial statements

Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Condensed Statement of Changes in Stockholders Deficit
For the period from April 25, 2006 (inception) to June 30, 2007
(Unaudited)

	Preferred Stock		Common Stock - Class A		Common Stock - Class B		Additional Paid	Deficit Accumulated during Development Stage	
	Shares	Par	Shares	Amount	Shares	Par	In Capital	Stage	Total
Balance, April 25, 2006	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -
Stock issued to founder	-	-	33,229,200	180	-	-	-	-	180
Stock issued for services	-	-	1,750,000	140,000	-	-	-	-	140,000
Stock issued for services			70,000	5,600	-	-	-	-	5,600
Stock contributed by shareholder	-	-	(1,166,650)	-	-	-	-	-	-
Stock issued for cash	-	-	400	200	-	-	-	-	200
Stock issued for cash	-	-	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			175,000	15,000	-	-	-	-	15,000
Stock issued for cash			1,200,000	103,000	-	-	-	-	103,000
Stock issued for cash			900,000	3,000	-	-	-	-	3,000
Stock issued for cash			187,500	15,000	-	-	-	-	15,000
Stock issued for cash			187,500	15,000	-	-	-	-	15,000
									-
Stock issued for services			200,000	16,000	-	-	-	-	16,000
Stock issued for cash			1,312,500	105,000	-	-	-	-	105,000
Net loss, six months ended June 30, 2007			-	-	-	-	-	(219,925)	(219,925)
Balance, June 30, 2007	**-**	**$ -**	**38,045,850**	**$ 418,180**	**-**	**$ -**	**$ 126,435**	**$ (750,246)**	**$ (205,631)**

See accompanying notes to condensed financial statements

Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2007	For the period from April 25, 2006 (Inception) to June 30, 2006	For the Period from April 25, 2006 (Inception) to June 30, 2007
Cash Flows From Operating Activities:			
Net Loss	$ (219,925)	$ (312,139)	$ (750,246)
Adjustments to reconcile net loss to net cash used in operations			
Stock issued for services	16,000	266,615	288,215
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(37,900)	-	(37,900)
Increase in accrued expenses	38,505	33,241	277,468
Increase in accounts payable	2,169	2,283	11,302
Net Cash Provided by (Used In) Operating Activities	**(201,151)**	**(10,000)**	**(211,161)**
Cash Flows From Investing Activities:			
	-	-	-
Net Cash Provided By Investing Activities	-	-	-
Cash Flows From Financing Activities:			
Proceeds from Notes Payable - Stockholder	-	10,000	10,000
Repayment of Notes Payable - Stockholder	(10,000)	-	(10,000)
Proceeds from issuance of common stock	256,000	400	256,400
Net Cash Provided by Financing Activities	**246,000**	**10,400**	**256,400**
Net Increase (Decrease) in Cash	44,849	400	45,239
Cash at Beginning of Period/Year	390	-	-
Cash at End of Period/Year	**$ 45,239**	**$ 400**	**$ 45,239**
Supplemental disclosure of cash flow information:			
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.

See accompanying notes to condensed financial statements

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations. The interim results for the period ended June 30, 2007 are not necessarily indicative of results for the full fiscal year. It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation.

(B) 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.

(C) 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.

(D) 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.

(E) 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 June 30, 2006, the effect of 4,200,000 warrants was anti –dilutive and not included in the dilutive weighted average calculation. As of June 30, 2007, the Company does not have any dilutive securities outstanding.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

(F) 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.

(G) Income Taxes

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

(H) 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.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

(I) Business Segments

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

(J) 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

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

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 $205,631 and used $211,161 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' DEFCIT

(A) Common Stock Issued for Cash

On January 8, 2007 the Company issued 175,000 shares of common stock for $15,000 ($0.08/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 ($0.08/share). In addition, 900,000 shares were issued for $3,000 ($0.0033/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 April 28, 2006, the Company issued 800 shares of common stock for cash of $400 ($0.50 per share).

(B) Common Stock Issued for Intellectual Property

On April 26, 2006, the Company issued 33,329,200 shares of common stock to its founder having a fair value of $180 ($0.00005/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 CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

(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 June 30, 2007 the fair value of the call option was less then the exercise price of the option and no value has been recorded for the option. (See additional commitments in 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).

(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 market 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.

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 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. 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 proteins, 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.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

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 increase 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.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

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)) for equity component of payment)

(C)Royalty Agreement

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. In accordance with SFAS 150, the Company determined that the present value of the payment of $120,000 that is due on 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 June 30, 2007, the Company has recorded $113,519 in accrued expenses- related party.

On February 1, 2007 the Company entered into a consulting agreement for research and development. Pursuant to the terms of the agreement, the Company paid $50,000 upon execution. As of June 30, 2007, the initial payment of $50,000 and the first installment of $50,000 have been paid and an additionally $50,000 is due by October 1, 2007.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

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 June 30, 2007 no shares have been issued, however, 60,000 shares were issued on August 31, 2007. 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 September 5, 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 June 30, 2007, the Company recorded interest expense and related accrued interest payable of $776.

As of June 30, 2007, the loan principle was repaid. However, the related accrued interest remains outstanding.

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).

NOTE 6 SUBSEQUENT EVENTS

(A)Stock Issued for Services

During August 2007 the Company issued 60,000 shares of common stock for consulting services rendered with a fair value of $1,800 ($0.03/share) based upon the recent cash offering price.

(B)Stock Issued for Cash

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).

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2007
(UNAUDITED)

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).

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 will issue 2,812,500 additional shares through September 2007 as a result of the subsequent stock issuances at $.03 per share.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
DECEMBER 31, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheet of Kraig Biocraft Laboratories, Inc., (a development stage company), as of December 31, 2006 and the related statements of operations, changes in stockholders' deficiency and cash flows for the period April 25, 2006 (Inception) to December 31, 2006. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 audit provides 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, 2006 and the results of its operations and its cash flows for the period April 25, 2006, (Inception) to December 31, 2006 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 stages with no operations and a working capital and stockholders' deficiency of $257,706 and used $10, 010 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.

WEBB & COMPANY, P.A.

/s/ Webb & Company, P.A.

Boynton Beach, Florida
August 20, 2007, except for Note 6 to which
the date is September 5, 2007

Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Balance Sheet
December 31, 2006

ASSETS

Current Assets	
Cash	$ 390
Total Assets	**$ 390**
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current Liabilities	
Accounts payable	$ 9,133
Accrued expenses - related party	238,963
Note payable -stockholder	10,000
Total Liabilities	**258,096**
Commitments and Contingencies	-
Stockholders' Deficiency	
Preferred stock, no par value; 10,000,000 shares authorized,	
no shares issued and outstanding	-
Common stock Class A, no par value; 60,000,000 shares authorized,	
33,813,350 shares issued and outstanding	146,180
Common stock Class B, no par value; 25,000,000 shares authorized,	
no shares issued and outstanding	-
Additional Paid in Capital	126,435
Accumulated deficit during development stage	(530,321)
Total Stockholders' Deficiency	**(257,706)**
Total Liabilities and Stockholders' Deficiency	**$ 390**

See accompanying notes to financial statements

Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Statements of Operations
Period from April 25, 2006 (Inception) to December 31, 2006

Revenue	$ -
Operating Expenses	
General and administrative	7,843
Officer's Compensation	249,768
Contract settlement	107,143
Research and Development	164,913
Total Operating Expenses	529,667
Net loss from Operations	(529,667)
Other Expense	
Interest Expense	(654)
Total Other expense	(654)
Loss from Operations	(530,321)
Provision for Income Taxes	-
Net Loss	**$ (530,321)**
Loss per Common Share - Basic and Diluted	**$ (0.02)**
Weighted average number of shares outstanding during the period - basic and diluted	**32,950,041**

See accompanying notes to financial statements

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

	Preferred Stock Shares	Preferred Stock Par	Common Stock - Class A Shares	Common Stock - Class A Par	Common Stock - Class B Shares	Common Stock - Class B Par	Additional Paid In Capital	Accumulated Deficit During Development Stage	Total
Balance, April 25, 2006	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -
Stock issued to founder	-	-	33,229,200	180	-	-		-	180
Stock issued for services	-	-	1,750,000	140,000	-	-		-	140,000
Stock issued for services			70,000	5,600	-	-		-	5,600
Stock contributed by shareholder	-	-	(1,166,650)	-	-	-		-	-
Stock issued for cash	-	-	400	200	-	-		-	200
Stock issued for cash	-	-	400	200	-	-		-	200
Warrants issued to employee							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)**

See accompanying notes to financial statements

Kraig Biocraft Laboratories, Inc.
(A Development Stage Company)
Statement of Cash Flows
Period from April 25, 2006 (Inception) to December 31, 2006

Cash Flows From Operating Activities:		
Net Loss	$	(530,321)
Adjustments to reconcile net loss to net cash used in operations		
Issuances of shares for services rendered		145,780
Warrants issued to employee		126,435
Changes in operating assets and liabilities:		
Accounts Payable and Accrued Expenses		248,096
Net Cash Used In Operating Activities		(10,010)
Cash Flows From Investing Activities:		-
Cash Flows From Financing Activities:		
Proceeds from Note payable - Stockholder		10,000
Common Stock issued for cash		400
Net Cash Provided by Financing Activities		10,400
Net Increase in Cash		390
Cash at Beginning of Period		-
Cash at End of Period	$	390
Supplemental disclosure of cash flow information:		
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.

See accompanying notes to financial statements

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
DECEMBER 31, 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 and Cash Equivalents

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, 2006, there were no common share equivalents 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”).

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, 2006, the Company has a net operating loss carryforward of approximately $403,866 available to offset future taxable income through 2026. The valuation allowance at December 31, 2006 was $137,321.

(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.

(I) Recent Accounting Pronouncements

In February 2006 the FASB issued SFAS 155, *"Accounting for Certain Hybrid Financial Instruments"* which amends SFAS No. 133 to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principal cash flows.

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

SFAS No. 155 also amends SFAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that it is a derivative financial instrument. The Company will adopt SFAS No. 155 on January 1, 2007 and does not expect it to have a material effect on financial position, results of operations, or cash flows.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, ("FIN 48") *"Accounting for uncertainty in income taxes – an interpretation of SFAS No. 109."* This Interpretation provides guidance for recognizing and measuring uncertain tax positions, as defined in FASB No. 109, "*Accounting for income taxes."* FIN 48 prescribes a threshold condition that a tax position must meet for any of the benefit of an uncertain tax position to be recognized in the financial statements. Guidance is also provided regarding derecognition, classification and disclosure of uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect that this Interpretation will have a material impact on their financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157 ("SFAS 157"), *"Fair Value Measurements."* SFAS 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on their financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158 ("SFAS 158"), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)."* SFAS 158 requires employers to recognize the underfunded or overfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through accumulated other comprehensive income. Additionally, SFAS 158 requires employers to measure the funded status of a plan as of the date of its year-end statement of financial position. The new reporting requirements and related new footnote disclosure rules of SFAS 158 are effective for fiscal years ending after December 15, 2006. The new measurement date requirement applies for fiscal years ending after December 15, 2008. The Company does not expect the adoption of SFAS 158 to have a material impact on their financial position, results of operations or cash flows.

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

NOTE 2 GOING CONCERN

As reflected in the accompanying financial statements, the Company is in the development stage, has a working capital and stockholders deficiency of $257,706 and used $10,010 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' DEFCIT

(A) Common Stock Issued for Cash

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

(B) Common Stock Issued for Intellectual Property

On April 26, 2006, the Company issued 33,329,200 shares of common stock to its founder having a fair value of $180 ($0.000005 per 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.

(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. These shares had a fair value of $140,000 ($0.08/share) based upon the recent cash offering price. 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, 2006, the fair value of the call option was less then the exercise price of the option and no value has been recorded for the option. (See additional commitments in 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.

(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 market 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. (See Note 4)

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 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. 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%.

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

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 proteins, 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 increase based on milestones reached by the company, including:

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

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.

During 2006, the Company recorded compensation expense of $249,768. As of December 31, 2006, $123,333 is recorded in accrued expenses – related party.

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

(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 the 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)) for equity component of payment)

(C) Royalty Agreement

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. In accordance with SFAS 150, the Company determined that the present value of the payment of $120,000 that is due on 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, 2006, the Company has recorded $107,143 in accrued expenses – related party.

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, 2006, the Company recorded interest expense and related accrued interest payable of $654.

During 2007, the loan principle was repaid. However, the related accrued interest remains outstanding.

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).

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

NOTE 6 SUBSEQUENT EVENTS

(A) Consulting Agreement

On February 1, 2007, the Company entered into a one year consulting agreement for research and development with a university for a fee of $150,000 per year. Pursuant to the terms of the agreement, the Company paid $50,000 upon execution of the agreement. Additionally, the Company is required to pay an additional $50,000 on June 1, 2007 and October 1, 2007.

On February 26, 2007 the Company entered into a five year consulting agreement for research and development with a university. 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 over the term of the agreement, or at the Company's option, the consulting fee may be paid in the form of Company's 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. During August 2007, the Company issued 60,000 shares related to this agreement. 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 September 5, 2007, the consultant has not reached the milestone events and no additional shares are earned.

(B) Common Stock Issued for Cash

On January 8, 2007 the Company issued 175,000 shares of common stock for $15,000 ($0.08/share). This agreement was subsequently terminated effective May 23, 2007.

On January 22, 2007 the Company entered into a stock purchase agreement. On January 29, 2007 the Company issued 1,200,000 shares of common stock for $103,000 ($.09 per share). In addition, 900,000 shares were issued for $3,000 ($0.0033/share).

On May 23, 2007 the Company entered into a stock purchase agreement. The Company issued 1,687,500 shares of common stock for cash of $135,000 ($.08 per share). The agreement 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 is obligated to issue additional common shares which would have the effect of making the issuance equal to the per share price of the subsequent issuances. The Company will issue 2,812,500 additional shares through September 2007 as a result of the subsequent stock issuances.

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

During August and September 2007, the Company issued 8,914,000 common shares for cash of $267,060 ($.03 per share).

(C) Note Payable- Related Party Repayment

During 2007, the Company repaid $10,000 of the note payable – stockholder.