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

ASSETS

		March 31, 2008 (Unaudited)		December 31, 2007 (Audited)
Current Assets				
Cash	$	68,502	$	105,818
Prepaid Expenses		450		12,500
Total Assets	**$**	**68,952**	**$**	**118,318**
LIABILITIES AND STOCKHOLDERS' DEFICIENCY				
Current Liabilities				
Accounts payable	$	32,770	$	22,121
Accounts Payable- related party		120,000		
Payroll Tax Payable		-		10,352
Royality agreement payable - related party				120,000
Accrued Expenses		203,985		148,042
Total Current Liabilities		**356,755**		**300,515**
Commitments and Contingencies		-		-
Stockholders' Deficiency				
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, 49,974,850 and 49,934,850 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively		779,050		779,050
Common stock Class B, no par value; 25,000,000 shares authorized, no shares issued and outstanding		-		-
Common Stock Issuable		4,000		
Additional paid-in capital		42,060		42,060
Deficit accumulated during the development stage		(1,112,913)		(1,003,308)
Total Stockholders' Deficiency		**(287,803)**		**(182,198)**
Total Liabilities and Stockholders' Deficiency	**$**	**68,952**	**$**	**118,317**

See accompanying notes to condensed financial statements.

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

	For the Three Months Ended March 31, 2008	March 31, 2007	For the Period from April 25, 2006(Inception) to March 31, 2008	(Inception) to 12/31/2007
Revenue	$ -	$ -	$ -	
Operating Expenses				
General and Administrative	24,891	5,385	73,533	48,642
Professional Fees	15,628	-	65,387	49,759
Officer's Salary	51,967	49,024	497,835	445,868
Contract Settlement	-	-	107,143	107,143
Payroll Taxes	3,975	5,613	13,163	9,188
Research and Development	15,925	50,000	357,857	341,932
Total Operating Expenses	112,386	110,022	1,114,918	1,002,532
Loss from Operations	(112,386)	(110,022)	(1,114,918)	(1,002,532)
Other Income/(Expenses)				
Other income	2,781	-	2,005	(776)
Other expense	-	(122)	-	
Total Other Income/(Expenses)	2,781	(122)	2,005	(776)
Net Loss before Provision for Income Taxes	(109,605)	(110,144)	(1,112,913)	
Provision for Income Taxes	-	-	-	
Net Loss	**$ (109,605)**	**$ (110,144)**	**$ (1,112,913)**	**(1,003,308)**
Net Loss Per Share - Basic and Diluted	**$ (0.00)**	**$ (0.01)**		**$ (0.03)**
Weighted average number of shares outstanding during the period - Basic and Diluted	**49,966,938**	**35,466,128**		32,950,041.00

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 March 31, 2008
(Unaudited)

	Preferred Stock		Common Stock - Class A		Common Stock - Class B			Deficit Accumulated during Development Stage	
	Shares	**Par**	**Shares**	**Par**	**Shares**	**Par**	**APIC**	**Stage**	**Total**
Balance, April 25, 2006	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -
Stock issued to founder	-	-	33,229,200	180	-	-	-	-	180
Stock issued for services ($.08/share)	-	-	1,750,000	140,000	-	-	-	-	140,000
Stock issued for services ($.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 ($2.00/share)	-	-	400	200	-	-	-	-	200
Fair value of warrants issued	-	-	-	-	-	-	126,435	-	126,435
Net Loss	-	-	-	-	-	-	-	(530,322)	(530,322)
Balance, December 31, 2006	-	-	33,883,350	146,180	-	-	126,435	(530,322)	(257,707)
Stock issued for cash ($.09/share)	-	-	175,000	15,000	-	-	-	-	15,000
Stock issued for cash ($.09/share)	-	-	1,200,000	103,000	-	-	-	-	103,000
Stock issued for cash ($.003/share)	-	-	900,000	3,000	-	-	-	-	3,000
Stock issued for cash ($.08/share)	-	-	187,500	15,000	-	-	-	-	15,000
Stock issued for cash ($.08/share)	-	-	187,500	15,000	-	-	-	-	15,000
									-
Stock issued for services ($.08/share)	-	-	200,000	16,000	-	-	-	-	16,000
Stock issued for cash ($.08/share)	-	-	1,312,500	105,000	-	-	-	-	105,000
Stock issued for cash ($.03/share)	-	-	8,049,500	241,485	-	-	-	-	241,485
Stock issued for cash ($.03/share)	-	-	20,000	600	-	-	-	-	600
Stock issued for c ash ($.03/share)	-	-	830,000	24,900	-	-	-	-	24,900
Stock issued for cash ($.03/share)	-	-	2,500	75	-	-	-	-	75
Stock issued for cash ($.03/share)	-	-	12,000	360	-	-	-	-	360
Stock issued for cash ($.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 ($.10/share)	-	-	60,000	6,000	-	-	-	-	6,000
Net loss, for the year ended December 31, 2007	-	-	-	-	-	-	-	(472,986)	(472,986)
Balance, December 31, 2007	-	-	49,934,850	779,050	-	-	42,060	(1,003,308)	(182,198)
Stock issuable for services ($.10/share)	-	0	40,000	4,000					4,000
Net loss, for the period ended March 31, 2008	-	0	-	-	-	-	-	(109,605)	(109,605)
Balance, for the period ended March 31, 2008	**-**	**$ -**	**49,974,850**	**$ 783,050**	**$ -**	**$ -**	**$ 42,060**	**$ (1,112,913)**	**$(287,803)**

See accompanying notes to condensed financial statements.

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

	Fro the Three Months Ended March 31, 2008	Fro the Three Months Ended March 31, 2007	For the Period from April 25, 2006 (Inception) to 3/31/08
Cash Flows From Operating Activities:			
Net Loss	$ (109,605)	$ (110,144)	$ (1,112,913)
Adjustments to reconcile net loss to net cash used in operations			
Stock issuable for services	4,000	-	171,780
Warrants issued to employees	-	-	126,435
Changes in operating assets and liabilities:			
Decrease in prepaid expenses	12,050	-	(450)
Increase in accrued expenses and other payables	46,189	58,000	203,985
Increase in royality agreement payable - related party	-	-	120,000
Increase in accounts payable	10,050	(5,000)	32,770
Net Cash Provided by (Used In) Operating Activities	**(37,316)**	**(57,144)**	**(458,393)**
Cash Flows From Financing Activities:			
Proceeds from Notes Payable - Stockholder	-	-	10,000
Repayments of Notes Payable - Stockholder	-	(10,000)	(10,000)
Proceeds from issuance of common stock	-	121,000	526,895
Net Cash Provided by Financing Activities	**-**	**111,000**	**526,895**
Net Increase (Decrease) in Cash	(37,316)	53,856	68,502
Cash at Beginning of Period/Year	105,818	390	-
Cash at End of Period/Year	**$ 68,502**	**$ 54,246**	**$ 68,502**
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.

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 ($0.03/share).

See accompanying notes to condensed financial statements.

KRAIG BIOCRAFT LABORATORIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF MARCH 31, 2008
(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 March 31, 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 March 31, 2008 and 2007, the Company does not have any dilutive securities outstanding.

(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.

(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

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. 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.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. We are currently evaluating the disclosure implications of this statement.

(K) Reclassification

The 2007 financial statements have been reclassified to conform to the 2008 presentation.

NOTE 2 GOING CONCERN

As reflected in the accompanying unaudited financial statements, the Company is in the development stage, has a working capital deficiency and stockholders deficiency of $287,803 and used $458,393 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 ($0.09/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).

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 April 28, 2006, the Company issued 800 shares of common stock for cash of $400 ($0.50 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 $0.03/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.

(C) Common Stock Issued for Services

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).

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 March 31, 2008 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 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 March 31, 2008 the Company issued 1000,000 shares of common stock for consulting services rendered with a fair value of $10,000 ($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.

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 (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.

(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. 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 March 31, 2008, 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. As of March 31, 2008, all payments under the consulting agreement totaling $150,000 were fully paid and expensed. The agreemet terminated on January 31, 2008.

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 March 31, 2008 the Company issued 100,000 shares of common stock for consulting services rendered with a fair value of $10,000 ($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 March 31, 2008, the consultant has not reached the milestone events and no additional shares are earned.

NOTE 5 RELATED PARTY TRANSACTION

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 $600 for the period ended March 31, 2008.