

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Kraig Biocraft Laboratories, Inc

Form: 10-Q

Date Filed: 2017-05-12

Corporate Issuer CIK: 1413119

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

KRAIG BIOCRAFT LABORATORIES, INC.
(Exact Name of Registrant as Specified in Charter)

Wyoming

(State or Other Jurisdiction of Incorporation)

(Commission File No.)

83-0459707

(I.R.S. Employer Identification No.)

2723 South State St. Suite 150
Ann Arbor, Michigan 48104

(Address of Principal Executive Offices)

(734) 619-8066

(Registrant's Telephone Number)

(Former name and address, if changed since last report)

Copies to:
Hunter Taubman Fischer & Li LLC
1450 Broadway, 26th Floor
New York, NY 10018

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒
Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 11, 2017, there were 783,046,190 shares of the issuer's common stock, no par value per share, outstanding, and 2 shares of preferred stock, no par value per share, outstanding.

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1. Unaudited Condensed Financial Statements:	3
Condensed Balance Sheets as of March 31, 2017 (Unaudited) and December 31, 2016 (Audited)	3
Condensed Statements of Operations (Unaudited) for the three month periods ended March 31, 2017 and 2016	4
Condensed Statements of Stockholders' Deficit (Unaudited) for the three months ended March 31, 2017 and the year ended December 31, 2016 (Audited)	5
Condensed Statements of Cash Flows (Unaudited) for the three month periods ended March 31, 2017 and 2016	6
Notes to Condensed Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures about Market Risk	25
Item 4. Controls and Procedures	25
PART II OTHER INFORMATION	25
Item 1. Legal proceedings	25
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3. Defaults upon Senior Securities	25
Item 4. Mine Safety Disclosures	25
Item 5. Other information	26

PART I

ITEM 1. FINANCIAL STATEMENTS

Kraig Biocraft Laboratories, Inc.
Balance Sheets
(Unaudited)

ASSETS

	March 31, 2017 (Unaudited)	December 31, 2016
Current Assets		
Cash	\$ 253,856	\$ 298,859
Accounts receivable, net	-	31,858
Prepaid expenses	787	1,324
Total Current Assets	254,643	332,041
Property and Equipment, net	48,730	51,618
Total Assets	\$ 303,373	\$ 383,659

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts payable and accrued expenses	\$ 617,652	\$ 513,562
Note payable - related party	50,000	50,000
Royalty agreement payable - related party	65,292	65,292
Accounts payable and accrued expenses - related party	2,253,219	2,115,618
Total Current Liabilities	2,986,163	2,744,472
Total Liabilities	2,986,163	2,744,472
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock Series A, no par value; 2 and 2 shares issued and outstanding, respectively	5,217,800	5,217,800
Common stock Class A, no par value; unlimited shares authorized, 780,962,857 and 773,627,964 shares issued and outstanding, respectively	13,366,511	12,958,757
Common stock Class B, no par value; unlimited shares authorized, no shares issued and outstanding	-	-
Common Stock Issuable, 1,122,311 and 5,778,633 shares, respectively	22,000	279,754
Additional paid-in capital	2,591,489	2,568,855
Accumulated Deficit	(23,880,590)	(23,385,979)
Total Stockholders' Deficit	(2,682,790)	(2,360,813)
Total Liabilities and Stockholders' Deficit	\$ 303,373	\$ 383,659

Kraig Biocraft Laboratories, Inc.
Condensed Statements of Operations (Unaudited)
For the three month periods ended March 31, 2017 and 2016

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
Revenue	\$ -	\$ -
Operating Expenses		
General and Administrative	151,645	117,867
Professional Fees	75,987	144,013
Officer's Salary	110,722	105,379
Rent – Related Party	1,920	-
Research and Development	114,190	110,681
Total Operating Expenses	454,464	477,940
Loss from Operations	(454,464)	(477,940)
Other Income/(Expenses)		
Gain on forgiveness of debt	-	-
Loss on disposal of fixed asset	-	-
Interest expense	(40,147)	(31,040)
Total Other Income/(Expenses)	(40,147)	(31,040)
Net (Loss) before Provision for Income Taxes	(494,611)	(508,980)
Provision for Income Taxes	-	-
Net (Loss)	\$ (494,611)	\$ (508,980)
Net Income (Loss) Per Share - Basic and Diluted	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding during the period – Basic and Diluted	778,836,003	710,969,281

Kraig Biocraft Laboratories, Inc.
Condensed Statements of Stockholders' Deficit
For the three months ended March 31, 2017 (Unaudited) and the year ended December 31, 2017 (Audited)

Common Stock - Class A Shares									
	Preferred Stock - Series A		Common Stock - Class A		To be issued		APIC		Accumulated Deficit
	Shares	Par	Shares	Par	Shares	Par			Total
Balance, December 31, 2015	2	\$ 5,217,800	708,068,385	\$ 10,801,942	1,122,311	\$ 22,000	\$ 2,373,458	\$ (20,312,136)	\$ (1,896,936)
Stock issued for cash (\$0.0246/share)	-	\$ -	41,626,276	\$ 1,025,000	-	\$ -	\$ -	\$ -	\$ 1,025,000
Stock issued for services (\$0.04380/share)	-	\$ -	-	\$ -	750,000	\$ 32,850	\$ -	\$ -	\$ 32,850
Imputed interest	-	\$ -	-	\$ -	-	\$ -	\$ 1,425	\$ -	\$ 1,425
Grant 6,000,000 warrants for services to related party	-	\$ -	-	\$ -	-	\$ -	\$ 125,053	\$ -	\$ 125,053
Warrants issued for services - related party	-	\$ -	-	\$ -	-	\$ -	\$ 68,600	\$ -	\$ 68,600
Warrants issued for services	-	\$ -	-	\$ -	-	\$ -	\$ 1,356,230	\$ -	\$ 1,356,230
Exercise of 27,500,000 warrants in exchange for stock	-	\$ -	23,909,303	\$ 1,131,007	3,906,322	\$ 224,904	\$ (1,355,911)	\$ -	\$ -
Settlement of accounts payable with stock issuance (\$0.03367/share)	-	\$ -	24,000	\$ 808	-	\$ -	\$ -	\$ -	\$ 808
Net loss for the year ended December 31, 2016	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ (3,073,843)	\$ (3,073,843)
Balance, December 31, 2016	2	\$ 5,217,800	773,627,964	\$ 12,958,757	5,778,633	\$ 279,754	\$ 2,568,855	\$ (23,385,979)	\$ (2,360,813)
Stock issued for cash (\$0.0246/share)	-	\$ -	2,678,571	\$ 150,000	-	\$ -	\$ -	\$ -	\$ 150,000
Grant 750,000 warrants for services	-	\$ -	-	\$ -	-	\$ -	\$ 5,161	\$ -	\$ 5,161
Warrants issued for services - related party	-	\$ -	-	\$ -	-	\$ -	\$ 17,473	\$ -	\$ 17,473
Issued shares for warrant exercise issuable as of December 31, 2016	-	\$ -	3,906,322	\$ 224,904	(3,906,322)	\$ (224,904)	\$ -	\$ -	\$ -
Issued shares for services issuable as of December 31, 2016	-	\$ -	750,000	\$ 32,850	(750,000)	\$ (32,850)	\$ -	\$ -	\$ -
Net loss for the three months ended March 31, 2017	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ (494,611)	\$ (494,611)
Balance, March 31, 2017	2	\$ 5,217,800	780,962,857	\$ 13,366,511	1,122,311	\$ 22,000	\$ 2,591,489	\$ (23,880,590)	\$ (2,682,790)

Kraig Biocraft Laboratories, Inc.
Condensed Statements of Cash Flows (unaudited)
For the three month periods ended March 31, 2017 and 2016

	For the three months ended March 31, 2017	
	2017	2016
Cash Flows From Operating Activities:		
Net Loss	\$ (494,611)	\$ (508,980)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation expense	4,275	4,185
Warrants issued to consultants	5,161	-
Warrants issued to related party	17,472	71,473
Changes in operating assets and liabilities:		
Increase in prepaid expenses	537	395
Decrease in accounts receivables, net	31,858	-
Increase in accrued expenses and other payables - related party	137,601	118,185
Increase in accounts payable	104,091	63,556
Net Cash Used In Operating Activities	(193,616)	(251,186)
Cash Flows From Investing Activities:		
Purchase of Fixed Assets and Domain Name	(1,387)	-
Net Cash Used In Investing Activities	(1,387)	-
Cash Flows From Financing Activities:		
Proceeds from issuance of common stock	150,000	200,000
Net Cash Provided by Financing Activities	150,000	200,000
Net Increase in Cash	(45,003)	(51,186)
Cash at Beginning of Period	298,859	238,188
Cash at End of Period	\$ 253,856	\$ 187,002
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Shares issued in connection with cashless warrants exercise	\$ 224,904	\$ -

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.

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. The results for the interim period are not necessarily indicative of the results to be expected for the year.

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

(B) Use of Estimates

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

(C) Cash

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents as of March 31, 2017 or December 31, 2016.

(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 FASB Accounting Standards Codification No. 260, "Earnings per Share." For March 31, 2017 and March 31, 2016, warrants were not included in the computation of income/ (loss) per share because their inclusion is anti-dilutive.

The computation of basic and diluted loss per share for March 31, 2017 and March 31, 2016 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	March 31, 2017	March 31, 2016
Stock Warrants (Exercise price - \$0.001/share)	48,550,000	40,000,000
Convertible Preferred Stock	<u>2</u>	<u>2</u>
Total	48,550,002	40,000,002

(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 FASB Codification Topic 740-10-25 ("ASC 740-10-25"). Under ASC 740-10-25, 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 ASC 740-10-25, 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.

Effective January 1, 2009, the Company adopted guidance regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all federal or state income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. As of March 31, 2017 and December 31, 2016 there were no amounts that had been accrued in respect to uncertain tax positions.

(G) Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

(H) Stock-Based Compensation

In December 2004, the FASB issued FASB Accounting Standards Codification No. 718, *Compensation – Stock Compensation*. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. 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. The Company applies this statement prospectively.

Equity instruments ("instruments") issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 718. FASB Accounting Standards Codification No. 505, *Equity Based Payments to Non-Employees* defines the measurement date and recognition period for such instruments. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

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

(J) Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Topic 842 affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this Update supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of adopting ASU No. 2016-02 on our financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. ASU 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer and provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date for ASU 2016-08 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. The Company has not yet determined the impact of ASU 2016-08 on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation, or ASU No. 2016-09. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. We are currently evaluating the impact of adopting ASU No. 2016-09 on our financial statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides further guidance on identifying performance obligations and improves the operability and understandability of licensing implementation guidance. The effective date for ASU 2016-10 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. In May 2016, the FASB issued ASU 2016-12 "Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients," which amends the guidance on transition, collectability, non-cash consideration, and the presentation of sales and other similar taxes. ASU 2016-12 clarifies that, for a contract to be considered completed at transition, all (or substantially all) of the revenue must have been recognized under legacy GAAP. In addition, ASU 2016-12 clarifies how an entity should evaluate the collectability threshold and when an entity can recognize nonrefundable consideration received as revenue if an arrangement does not meet the standard's contract criteria. The standard allows for both retrospective and modified retrospective methods of adoption. The Company has not yet determined the impact of ASU 2016-10 on its financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Statements," which requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019 (fiscal year 2021 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-13 on its Financial Statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which aims to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017 (fiscal year 2019 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

All other newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

(K) Reclassification

The 2016 financial statements have been reclassified to conform to the 2017 presentation.

(L) Equipment

The Company values property and equipment at cost and depreciates these assets using the straight-line method over their expected useful life. The Company uses a five year life for automobiles.

In accordance with FASB Accounting Standards Codification No. 360, *Property, Plant and Equipment*, the Company carries long-lived assets at the lower of the carrying amount or fair value. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flow is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest.

There were no impairment losses recorded as of March 31, 2017 and year ended December 31, 2016.

(M) Fair Value of Financial Instruments

We hold certain financial assets, which are required to be measured at fair value on a recurring basis in accordance with the Statement of Financial Accounting Standard No. 157, *"Fair Value Measurements"* ("ASC Topic 820-10"). ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Level 1 instruments include cash, account receivable, prepaid expenses, inventory and account payable and accrued liabilities. The carrying values are assumed to approximate the fair value due to the short term nature of the instrument.

The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access. We believe our carrying value of level 1 instruments approximate their fair value at March 31, 2017 and December 31, 2016.
- Level 2 - Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3 - Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. We consider depleting assets, asset retirement obligations and net profit interest liability to be Level 3. We determine the fair value of Level 3 assets and liabilities utilizing various inputs, including NYMEX price quotations and contract terms.

	March 31, 2017	December 31, 2016
Level 1	\$ -	\$ -
Level 2	-	-
Level 3	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

(N) Revenue Recognition

The Company's revenues are generated primarily from contracts with the U.S. Government. The Company performs work under the cost-plus-fixed-fee contract.

Cost-plus-fixed-fee contracts—Revenue is recognized on cost-plus-fixed-fee contracts with the U.S. Government on the basis of partial performance equal to costs incurred plus an estimate of applicable fees earned as the Company becomes contractually entitled to reimbursement of costs and the applicable fees. Invoicing for costs and applicable fees are reported to the U.S. Government on a monthly basis and invoices are typically paid within 30 days.

For the three months ended March 31, 2017 and March 31, 2016, the Company recognized \$0 and \$0 in revenue from the Government contract.

(O) Concentration of Credit Risk

The Company at times has cash in banks in excess of FDIC insurance limits. At March 31, 2017 and December 31, 2016, the Company had approximately \$3,856 and \$48,859, respectively in excess of FDIC insurance limits.

At March 31, 2017 and December 31, 2016, the Company had a concentration of accounts receivable of:

	March 31, 2017	December 31, 2016
Customer		
Customer A	0%	100%
Customer A	-	\$ 31,858

For the three months March 31, 2017 and 2016, the Company had a concentration of sales of:

	March 31, 2017	March 31, 2016
Customer		
Customer A	0%	0%
Customer A	\$ -	\$ -

For the three months ended March 31, 2017 and 2016, the Company booked \$0 and \$0 for doubtful accounts.

NOTE 2 GOING CONCERN

As reflected in the accompanying unaudited financial statements, the Company has a working capital deficiency of \$2,731,520 and stockholders' deficiency of \$2,682,790 and used \$193,616 of cash in operations for the three months ended March 31, 2017. 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 EQUIPMENT

At March 31, 2017 and December 31, 2016, property and equipment, net, is as follows:

	As of March 31, 2017	As of December 31, 2016
Automobile	\$ 41,805	\$ 41,805
Laboratory Equipment	40,698	39,310
Office Equipment	6,466	6,466
Less: Accumulated Depreciation	(40,239)	(35,963)
Total Property and Equipment, net	<u>\$ 48,730</u>	<u>\$ 51,618</u>

Depreciation expense for the three months ended March 31, 2017 and 2016 was \$4,276 and \$4,185, respectively

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

NOTE 4 ACCRUED INTEREST – RELATED PARTY

On June 6, 2016, the Company received \$50,000 from a principal stockholder. Pursuant to the terms of the loan, the advance bears interest at 3%, is unsecured and due on demand. The Company recorded accrued interest payable of \$1,225 as of March 31, 2017. In addition, the Company recorded \$1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

NOTE 5 STOCKHOLDERS' DEFICIT

(A) Common Stock Issued for Cash

On February 16, 2016 the Company issued 5,630,631 share of common stock for \$100,000 (\$0.018/share).

On March 28, 2016 the Company issued 5,411,255 share of common stock for \$100,000 (\$0.018/share).

On April 25, 2016 the Company issued 5,952,381 share of common stock for \$100,000 (\$0.017/share).

On June 28, 2016 the Company issued 7,812,500 share of common stock for \$125,000 (\$0.016/share).

On July 26, 2016 the Company issued 6,028,939 shares of common stock for \$150,000 (\$0.025/share).

On August 8, 2016 the Company issued 2,181,501 shares of common stock for \$100,000 (\$0.046/share).

On August 18, 2016 the Company issued 1,838,235 shares of common stock for \$100,000 (\$0.054/share).

On September 9, 2016 the Company issued 2,604,167 shares of common stock for \$100,000 (\$0.038/share).

On October 21, 2016 the Company issued 4,166,667 shares of common stock for \$150,000 (\$0.036/per share).

On January 25, 2017, the Company issued 2,678,571 share of common stock for \$150,000 (\$0.056/share).

(B) Common Stock Issued for Services

Shares issued for services as mentioned below were valued at the closing price of the stock on the date of grant.

On April 4, 2016, the Company issued 12,000 shares with a fair value of \$296 (\$0.0247/share) to a consultant as consideration for consulting fees owed from October 1, 2015 through March 31, 2016 of \$6,000. The issuance of shares resulted in gain on settlement of accounts payable of \$5,704.

On November 7, 2016, the Company issued 12,000 shares with a fair value of \$512 (\$0.0427/share) to a consultant as consideration for consulting fees owed from April 1, 2016 through October 31, 2016 of \$6,000. The issuance of shares resulted in gain on settlement of accounts payable of \$5,488.

On December 4, 2016, the Company granted 750,000 shares valued at \$32,850 (\$0.0438/share) to a consultant for services rendered. The shares were issued subsequent to period end on January 25, 2017.

On December 30, 2016, the Company recorded 3,906,322 issuable shares with a fair value of \$224,904 (\$0.0575/share) to two consultants for services rendered. Those shares were issued on January 23, 2017.

On January 25, 2017, the Company issued 750,000 shares of common stock previously recorded as common stock issuable for the year end December 31, 2016 (See Note 6 (C)).

(C) Common Stock Warrants

On January 1, 2016, the Company issued 3-year warrant to purchase 6,000,000 shares of common stock at \$0.001 per share to a related party for services to be rendered. The warrants had a fair value of \$142,526, based upon the Black-Scholes option-pricing model on the date of grant and vested on February 20, 2017, and will be exercisable commencing on February 20, 2018, and for a period expiring on February 20, 2021. During the three months ended March 31, 2017, the Company recorded \$17,473 as an expense for warrants issued to related party.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

Grant Date

Expected dividends	0%
Expected volatility	78.58%
	3 years
Expected term	
Risk free interest rate	1.32%
Expected forfeitures	0%

On April 7, 2016, the Company issued 958,506 shares in connection with the cashless exercise of the 1,000,000 warrants.

On April 7, 2016, the Company issued 958,506 shares in connection with the cashless exercise of the 1,000,000 warrants

On May 5, 2016, the Company issued 7,627,907 shares in connection with the cashless exercise of the 8,000,000 warrants.

On June 23, 2016, the Company issued 12,867,681 shares in connection with the cashless exercise of the 13,500,000 warrants.

On November 7, 2016, the Company issued 1,496,703 shares in connection with the cashless exercise of the 1,500,000 warrants.

On December 30, 2016, the Company recorded stock issuable of 1,953,161 shares in connection with the cashless exercise of the 1,500,000 warrants.

On December 30, 2016, the Company recorded stock issuable of 1,953,161 shares in connection with the cashless exercise of the 1,500,000 warrants.

On July 26, 2016, the Company issued 4-year warrant to purchase 10,000,000 shares of common stock at \$0.001 per share to a consultant for services rendered. The warrants had a fair value of \$365,157, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants will become exercisable on July 26, 2018, and for a period of 4 years expiring on July 26, 2022. During the years ended December 31, 2016, the Company recorded \$365,157 as an expense for such warrants issued.

Expected dividends	0%
Expected volatility	93.6%
	4 years
Expected term	
Risk free interest rate	1.01%
Expected forfeitures	0%

On July 26, 2016, the Company issued 4-year warrant to purchase 8,000,000 shares of common stock at a price of \$0.001 per share to a consultant for services rendered. The warrants had a fair value of \$292,126, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants will become exercisable on July 26, 2018, and for a period of 4 years expiring on July 26, 2022. During the years ended December 31, 2016, the Company recorded \$292,126 as an expense for such warrants issued.

Expected dividends	0%
Expected volatility	93.60%
	4 years
Expected term	
Risk free interest rate	1.01%
Expected forfeitures	0%

On October 2, 2016, the Company issued 2-year warrant to purchase 2,300,000 shares of common stock at an exercise price of \$0.04 per share to a consultant for services rendered. The warrants had a fair value of \$68,686, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants will become exercisable on August 25, 2019, and for a period of 2 years expiring on August 25, 2021. During the years ended December 31, 2016, the Company recorded \$68,686 as an expense for such warrants issued (See Note 6(C)).

Expected dividends	0%
Expected volatility	107.51%
	2 years
Expected term	
Risk free interest rate	0.82%
Expected forfeitures	0%

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

On December 8, 2016 the company issued, the Company issued 4-year warrant to purchase 15,000,000 shares of common stock at an exercise price of \$0.001 per share to a consultant for services rendered. The warrants had a fair value of \$630,259, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants will be exercisable on June 12, 2017, and for a period of 2 years expiring on December 8, 2019. During the years ended December 31, 2016, the Company recorded \$630,259 as an expense for warrants issued (See Note 6 (C)).

Expected dividends	0%
Expected volatility	106.57%
Expected term	2 years
Risk free interest rate	1.15%
Expected forfeitures	0%

On February 6, 2017 the company issued, the Company issued 4-year warrant to purchase 750,000 shares of common stock at an exercise price of \$0.03 per share to a consultant for services rendered. The warrants had a fair value of \$44,421, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on March 6, 2018 as long as the employee remains as full time. Warrants will be exercisable on October 6, 2019, and for a period of 3 years expiring on October 6, 2022. During the three months ended March 31, 2017, the Company recorded \$5,161 as an expense for warrants issued (See Note 6 (C)).

Expected dividends	0%
Expected volatility	106.40%
Expected term	3 years
Risk free interest rate	1.43%
Expected forfeitures	0%

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Balance, December 31, 2016	47,800,000	\$ 0.001	3.8
Granted			
Exercised	750,000	\$ 0.03	
Cancelled/Forfeited			
Balance, March 31, 2017	48,550,000		
Intrinsic Value	\$ 3,626,685		3.6

For the three months ended March 31, 2017, the following warrants were outstanding:

Exercise Price Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$ 0.001	45,500,000	4.1	\$ 3,398,850
\$ 0.03	750,000	4	\$ 56,025
\$ 0.04	2,300,000	5	\$ 171,810

For the year ended December 31, 2016, the following warrants were outstanding:

Exercise Price Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
\$ 0.001	45,500,000	4.1	\$ 2,434,250
\$ 0.04	2,300,000	5	\$ 123,050

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

(D) Amendment to Articles of Incorporation

On February 16, 2009, the Company amended its articles of incorporation to amend the number and class of shares the Company is authorized to issue as follows:

- Common stock Class A, unlimited number of shares authorized, no par value
- Common stock Class B, unlimited number of shares authorized, no par value
- Preferred stock, unlimited number of shares authorized, no par value

Effective December 17, 2013, the Company amended its articles of incorporation to designate a Series A no par value preferred stock. Two shares of Series A Preferred stock have been authorized.

NOTE 6 COMMITMENTS AND CONTINGENCIES

On March 18, 2010, the Company entered into an addendum to the employment agreement whereby the Company will reimburse the employee and his family for up to \$20,000 of out of pocket medical and dental care costs, including prescription costs or co-pays.

On November 10, 2010, the Company entered into an addendum to the employment agreement, effective January 1, 2011 through the December 31, 2015. The term of the agreement is a five year period at an annual salary of \$210,000. There is a 6% annual increase. For the year ending December 31, 2015, the annual salary was \$281,027. The employee is also to receive a 20% bonus based on the annual based salary. Any stock, stock options bonuses have to be approved by the board of directors. On January 1, 2016 the agreement renewed with the same terms for another 5 years with an annual salary of \$297,889 for the year ended December 31, 2016. Subsequently, on January 1, 2017 the agreement renewed with the same terms for another 5 years with an annual salary of \$315,764 for the year ended December 31, 2017 (See Note 8).

On October 2, 2014, the Company entered into a letter agreement for an equity line of financing up to \$7,500,000 (the "Letter Agreement") with Calm Seas Capital, LLC ("Calm Seas").

Under the Letter Agreement, over a 24 month period from the Effective Date we may put to Calm Seas up to an aggregate of \$7,500,000 in shares of our Class A common stock for a purchase price equal to 80% of the lowest price of our Class A common stock during the five consecutive trading days immediately following the date we deliver notice to Calm Seas of our election to put shares pursuant to the Letter Agreement. We may put shares bi-monthly. The dollar value that will be permitted for each put pursuant to the Letter Agreement will be the lesser of: (A) the product of (i) 200% of the average daily volume in the US market of our Class A common stock for the ten trading days prior to the date we deliver our put notice to Calm Seas multiplied by (ii) the average of the daily closing prices for the ten (10) trading days immediately preceding the date we deliver our put notice to Calm Seas, or (B) \$100,000. We will automatically withdraw our put notice to Calm Seas if the lowest closing bid price used to determine the purchase price of the put shares is not at least equal to seventy-five percent (75%) of the average closing "bid" price for our Class A common stock for the ten (10) trading days prior to the date we deliver our put notice to Calm Seas. Notwithstanding the \$100,000 ceiling for each bi-monthly put, as described above, we may at any time request Calm Seas to purchase shares in excess of such ceiling, either as a part of bi-monthly puts or as an additional put(s) during such month. If Calm Seas, in its sole discretion, accepts such request to purchase additional shares, then we may include the put for additional shares in our monthly put request or submit an additional put for such additional shares in accordance with the procedure set forth above.

The Letter Agreement will terminate when any of the following events occur:

- Calm Seas has purchased an aggregate of \$7,500,000 of our Class A common stock; or
- The second anniversary from the Effective Date.

On January 23, 2015, the board of directors appointed Mr. Jonathan R. Rice as our Chief Operating Officer. Mr. Rice's employment agreement has a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the employment agreement, Mr. Rice is entitled to an annual cash compensation of \$120,000, which includes salary, health insurance, 401K retirement plan contributions, etc. The Company also agreed to reimburse Mr. Rice for his past educational expenses of approximately \$11,000. In addition, Mr. Rice will be issued a three-year warrant to purchase 2,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share pursuant to the employment agreement. Additionally, on May 28, 2015, the Company issued a three-year warrant to purchase 3,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share to Mr. Rice. The warrant fully vests on October 28, 2016. For the year ended December 31, 2015, the Company recorded \$121,448 for the warrants issued to Mr. Rice. On January 14, 2016 the Company signed a new employment agreement with Mr. Rice, our COO. The employment agreement has a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the employment agreement, Mr. Rice is entitled to an annual cash compensation of \$140,000, which includes salary, health insurance, 401K retirement plan contributions, etc. In addition, Mr. Rice will be issued a three-year warrant to purchase 6,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share pursuant to the employment agreement. For the year ended December 31, 2016, the Company recorded \$193,652 for the warrants issued to Mr. Rice in 2016. For the three months ended March 31, 2017 the Company recorded \$17,473 for the warrants issued to Mr. Rice in 2016.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

(A) 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. The annual research fees are accrued by the Company for future payment. 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.

On October 28, 2011, the Company entered into a license agreement with the University of Notre Dame. Under the agreement, the Company received exclusive and non-exclusive rights to certain spider silk technologies including commercial rights with the right to sublicense such intellectual property. In consideration of the licenses granted under the agreement, the Company agreed to issue to the University of Notre Dame 2,200,000 shares of its common stock and to pay a royalty of 2% of net sales. On March 4, 2015, the Company entered into a new Intellectual Property / Collaborative Research Agreement with Notre Dame extending the duration of the agreement through March 2016. In February of 2016 this agreement was extended to July 31, 2016. Under the agreement the Company will provide approximately \$534,000 in financial support. The license agreement has a term of 20 years which can be extended on an annual basis after that. It can be terminated by the University of Notre Dame if the Company defaults on its obligations under the agreement and fails to cure such default within 90 days of a written notice by the university. The Company can terminate the agreement upon a 90 day written notice subject to payment of a termination fee of \$5,000 if the termination takes place within 2 years after its effectiveness, \$10,000 if the termination takes place within 4 years after its effectiveness and \$20,000 if the Agreement is terminated after 4 years. The Company is currently working with the University of Notre Dame to extend this contract, but no final agreement has been signed as of the date of this report.

(B) Royalty and Research Agreements

On May 1, 2008 the Company entered into a five year consulting agreement for research and development. Pursuant to the terms of the agreement, 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 \$0.05 per share or the average of the closing price of the Company's shares over the five days preceding such stock issuance. As of September 30, 2011, the Company had accrued \$17,000 of accounts payable for the services provided of which was paid in common stock on July 1, 2009. As of September 30, 2011 the Company issued 280,000 shares of common stock in exchange for \$14,000 of accounts payable for the services performed. On March 19, 2014, the Company entered into a five year consulting agreement for general advisor and consulting services. As consideration for the services performed, the Company agrees to pay the consultant a fee of \$1,000 per month. At the Company's option, said consulting fee may be paid to the consultant in the form of Company stock based upon the greater of \$0.50/share or the average of the closing price of the Company's common stock over the five days preceding such stock issuance. On March 28, 2014, the Company issued 44,000 shares of common stock as consideration for consulting fees owed from September 1, 2012 through March 31, 2014. On October 9, 2014 the Company issued 12,000 shares with a fair value of \$484 (\$0.0403/share) to a consultant as consideration for consulting fees owed from April 1, 2014 through September 30, 2014 of \$12,000. The issuance of shares resulted in gain on settlement of accounts payable of \$11,516. The consultant also received a bonus of 4,000 shares with a fair value of \$161 (\$0.0403/share). During the years ended December 31, 2015 the Company issued 24,000 shares with a fair value of \$730 (\$0.03367/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through September 30, 2015 of \$12,000. The issuance resulted in gain on settlement of accounts payable of 23,245. During the years ended December 31, 2016, the Company issued 24,000 shares with a fair value of \$808 (\$0.03367/share) to a consultant as consideration for consulting fees owed from October 1, 2015 through October 31, 2016 of \$12,000. The issuance resulted in gain on settlement of accounts payable of 11,191 (See Note 5 (B)).

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr Thompson, its CEO. 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 FASB Accounting Standards Codification No 480, *Distinguishing Liabilities from Equity*, 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, 2010, 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 May 30, 2008 the officer extended the due date to December 31, 2008. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. The due date was extended to March 31, 2011. On September 8, 2009, a payment of \$15,000 was paid to the officer. An additional payment of \$10,000 was made on October 19, 2009 and December 1, 2009, respectfully. Additionally, the accrued expenses are accruing 7% interest per year. On January 15, 2010 an additional payment of \$10,000 was made. During the quarter ending September 30, 2010 an additional payment of \$8,000 was made. During the quarter ending September 30, 2012 an additional payment of \$1,000 was made. During the year ended December 31, 2013, an additional payment of \$1,280 was made. During the year ended December 31, 2014, an additional loan of \$572 was made. As of March 31, 2017 and December 31, 2016, the outstanding balance is \$65,292. As of March 31, 2017, the Company recorded interest expense and related accrued interest payable of \$490.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

On June 6, 2012, the Company entered into a consulting agreement for intellectual property and collaborative research and development with an American university. The agreement covers ongoing research and development work performed by the university at the Company's behest and with the Company's assistance. On March 4, 2015, the Company entered into a new Intellectual Property / Collaborative Research Agreement with Notre Dame extending the duration of the agreement through March 2016. Pursuant to the terms of the agreement, the Company will be required to pay approximately \$534,000 for research and development over the two-year period. For the year ended December 31, 2016 and 2015, respectively, the company recorded \$397,136 and \$432,008 in research and development fees. On September 20, 2015 this agreement was amended to increase the total funding by approximately \$179,000. In February 2016, this agreement was extended to July 31, 2016. In August 2016 this agreement was amended to increase the total funding by approximately \$175,000 and the duration of this agreement was extended to December 31, 2016. In May 2017 this agreement was amended to increase the total funding by approximately \$189,000 and the duration of this agreement was extended to June 30, 2017.

On December 30, 2015, the Company entered into a cooperative agreement for the research and pilot production of hybrid silkworms in Vietnam. Under this agreement, the Company will establish a subsidiary in Vietnam where it will develop and produce hybrid silkworms. As of March 31, 2017, the subsidiary was not yet established and no work has been performed in Vietnam of March 31, 2017. The Company delayed the announcement of this agreement until late in February, 2016. This additional time was used to confirm this agreement with higher level authorities and outside review required by related Vietnam authorities.

(C) Consulting Agreement

On July 9, 2013, the Company entered into an agreement with a consultant to provide investor relations services in exchange for a warrant for 10,000,000 common shares at \$.001 with a cashless provision and a five year term.

On September 30, 2013, the Company entered into a Collaborative Yarn and Textile Development Agreement with a technical textile manufacturing company. Pursuant to the terms of that agreement, the Company has agreed to supply the technical textile manufacturing company with sample quantities of the Company's recombinant spider silk for the purpose of developing and testing new textiles which are made from, or which incorporate recombinant spider silk. The agreement provides that the two companies will jointly share, on an equal basis, any intellectual property, including any utility patents, which are developed as a result of this collaboration. Such intellectual property potentially includes utility patents on textile designs. The Company has agreed that it will pay half of the cost associated with the filing and prosecution of utility patents relating to intellectual property which is developed through its collaboration with the technical textile manufacturing company.

On October 15, 2013, the Company entered into an intellectual property agreement with a scientific researcher relating to the development of new recombinant silk fibers. Under the terms of that agreement, the scientific researcher will transfer to the Company his rights to intellectual property, inventions and trade secrets which the researcher develops relating to recombinant silk. The researcher will receive 8,000,000 warrants of the Company's stock, exercisable 24 months from the date of the agreement. The researcher will also receive additional warrants when and if the researcher develops advanced recombinant silk fibers for the Company's use. Under the terms of the agreement the researcher will receive 10,000,000 warrants in the event that he develops a new recombinant silk fiber with certain performance characteristics, and another 10,000,000 warrants if he develops a second recombinant silk fiber with certain characteristics. If the consultant performs the contract in good faith the consultant will be entitled to an additional 8,000 warrants. The warrants described in this note all contain a cashless exercise provision and are exercisable on the 24 month anniversary of the date on which they were issuable under the agreement. On July 26, 2016 the Company issued a warrant for 10,000,000 to the researcher in accordance with this agreement for the development of a new recombinant silk fiber. On July 26, 2016 the Company issued a warrant for 8,000,000 to the researcher upon reaching the 24 month of this agreement.

On February 17, 2014, the Company entered into two consulting agreements with two consultants for independent technical expertise to further the Company's business plans and scientific research and development. As consideration for the services performed, the Company agrees to issue the following to each of the consultants:

- Within 30 days of the date of this agreement, a warrant for six hundred thousand shares of the Company's common stock to be exercisable on the 14 month anniversary of this agreement for a period of 12 months with a cashless exercise provision.
- Within 30 days of the date of this agreement, a warrant for one million shares of the Company's common stock to be exercisable on the 20 month anniversary of this agreement for a period of 12 months with a cashless exercise provision.
- Within 30 days of the date of this agreement, a warrant for two million shares of the Company's common stock to be exercisable on the 32 month anniversary of this agreement for a period of 12 months with a cashless exercise provision.
- Based on the consultants reaching two sets of benchmarks, two separate warrants for one million five hundred thousand shares of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision.
- On the three year anniversary, assuming the consultant acted in good faith and the Company's board of directors approval, a warrant for one million five hundred thousand shares of the Company's common stock to be exercisable on the 28 month anniversary of this agreement for a period of 12 months with a cashless exercise provision.

On June 22, 2015, the Company entered into an agreement with a consultant to provide investor relations services until December 16, 2015. As consideration for the services performed, the Company agrees to issue a 3-year warrant to purchase 15,000,000 shares of common stock at \$0.001 per share with a cashless exercise provision. On June 22, 2015, the company issued such warrant with a fair value of \$590,335 (See Note 5(C)).

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

On November 11, 2015, the Company entered into an agreement with a consultant to provide advisory services. As consideration for the services performed, the Company agreed to pay the consultant \$10,000.

On January 23, 2016, the Company entered into an agreement with a consultant to provide investor relations services for four months. As consideration for the services performed, the Company agrees to pay \$25,000 dollar monthly payments. During the course of that contract, additional services were rendered for a consideration amounting a total of \$31,000. During the years ended December 31, 2016, the Company paid \$131,000.

On August 25, 2016, the Company entered into an agreement with a consultant to provide consulting services in helping the Company expand its operations. The agreement commenced on August 25, 2016 and will continue for 18 months. In return, the Company agrees to issue a 2-year warrant to purchase 2,300,000 shares of common stock at a price of \$0.04 per share. On October 2, 2016, the company issued such warrant with a fair value of \$590,335 (See Note 5(C)). On January 24, 2017, the Company agreed to continue the agreement and agreed to advance \$10,000 for costs and expenses incurred.

On December 1, 2016, the Company entered into an agreement with a consultant to provide investor relations services for one year. As consideration for the services performed, the Company agrees to issue a 2-year warrant to purchase 15,000,000 shares of common stock at a price of \$0.001 per share with a cashless exercise provision. On December 8, 2016, the company issued such warrant with a fair value of \$630,564 (See Note 5(C)).

On December 4, 2016, the Company entered into an agreement with a consultant to provide investor relations services. The agreement commenced on December 4, 2016 and will continue for twelve months. As consideration for the services performed, the Company will issue 750,000 shares with a fair value of \$32,850 (\$0.0321/share) to this consultant. For the year ended December 31, 2016, the Company recorded 750,000 as common stock issuable. Shares were subsequently issued on January 25, 2017 (See Note 8).

(D) Operating Lease Agreement

Starting in February of 2015, we rent additional office space in East Lansing, Michigan. In July 2015, the Company signed a new lease for its East Lansing, Michigan office space. The Company pays an annual rent of \$4,742 for office space, conference facilities, mail, fax, and reception services.

Starting in September of 2015, we rent office space at 2723 South State Street, Suite 150, Ann Arbor, Michigan 48104, which is our principal place of business. We pay an annual rent of \$2,028 for conference facilities, mail, fax, and reception services located at our principal place of business.

On February 1, 2016 the Company signed a six (6) month lease extension for its East Lansing office. The Company pays an annual rent of \$4,893 for office space, conference facilities, mail, fax, and reception services.

On June 29, 2016 the Company signed a twelve (12) month lease for new office space in Vietnam. The Company pays an annual rent of \$2,329 for office space and reception services.

On July 19, 2016 the Company signed a month to month lease for a production facility in Indiana. The Company pays a monthly rent of \$670 for office space light industrial manufacturing space.

Rent expense for the three months ended March 31, 2017 and 2016 was \$2,404 and \$2,411, respectively.

On January 23, 2017 the Company signed an 8 year property lease with the Company's President. The Company pays a monthly rent of \$960. Rent expense – related party for the three months ended March 31, 2017 and 2016 was \$1,920 and \$0, respectively (See Note 7).

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

NOTE 7 RELATED PARTY TRANSACTIONS

On December 26, 2006, the Company entered into an addendum to the intellectual property transfer agreement with Mr. Thompson, its CEO. Pursuant to the addendum, the Company agreed to issue 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 FASB Accounting Standards Codification No. 480, *Distinguishing Liabilities from Equity*, the Company determined that the present value of the payment of \$120,000 that was due on December 26, 2007, 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, 2010, the Company has recorded \$120,000 in royalty agreement payable- related party. On December 21, 2007 the officer extended the due date to July 30, 2008. On May 30, 2008, the officer extended the due date to March 31, 2009. On October 10, 2008, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On March 30, 2010, the officer extended the due date to the earlier of (a) March 30, 2010 or (b) upon demand by the officer. On September 8, 2009, a payment of \$15,000 was paid to the officer. On October 19, 2009 and December 1, 2009, \$10,000 was paid to the officer respectfully. An additional payment of \$10,000 was made on January 15, 2010. During the quarter ending September 30, 2010 an additional payment of \$8,000 was made. During the year ended December 31, 2012 an additional payment of \$1,000 was made. During the year ended December 31, 2013 an additional payment of \$1,280 was made. During the year ended December 31, 2014, an additional loan of \$572 was made. As of March 31, 2017 the outstanding balance is \$65,292. Additionally, the accrued expenses are accruing 7% interest per year. As of March 31, 2017, the Company recorded interest expense and related accrued interest payable of \$490.

On November 10, 2010, the Company entered into an addendum to the employment agreement, with its CEO, effective January 1, 2011 through the March 31, 2016. The term of the agreement is a five year period at an annual salary of \$210,000. There is a 6% annual increase. The employee is also to receive a 20% bonus based on the annual based salary. Any stock, stock options bonuses have to be approved by the board of directors. On January 1, 2016, the agreement renewed with the same terms for another 5 years with an annual salary of \$297,889 for the year ended December 31, 2016. Subsequently, on January 1, 2017 the agreement renewed with the same terms for another 5 years with an annual salary of \$315,764 for the year ended December 31, 2017

On January 23, 2015, the board of directors appointed Mr. Jonathan R. Rice as its Chief Operating Officer. The employment agreement has a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the employment agreement, Mr. Rice is entitled to an annual cash compensation of \$120,000, which includes salary, health insurance, 401K retirement plan contributions, etc. The Company also agreed to reimburse Mr. Rice for his past educational expenses of approximately \$11,000. In addition, Mr. Rice was issued a three-year warrant to purchase 2,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share pursuant to the employment agreement. Additionally, on May 28, 2015, the Company issued a three-year warrant to purchase 3,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share. The warrant fully vests on October 28, 2016. On January 14, 2016 the Company signed a new employment agreement with Mr. Rice, the COO. The employment agreement has a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the employment agreement, Mr. Rice is entitled to an annual cash compensation of \$140,000, which includes salary, health insurance, 401K retirement plan contributions, etc. In addition, Mr. Rice will be issued a three-year warrant to purchase 6,000,000 shares of common stock of the Company at an exercise price of \$0.001 per share pursuant to the employment agreement. For the year ended December 31, 2016, the Company recorded \$193,654 for the warrants issued to Mr Rice. For the three months ended March 31, 2017 the Company recorded \$17,473 for the warrants issued to Mr. Rice in 2016

On August 4, 2016 the Company issued a bonus of \$20,000 payable to Mr. Rice if he remains employed with the Company through March 31, 2018.

On June 6, 2016, the Company borrowed \$50,000 from a principal stockholder. Pursuant to the terms of the loan, the loan is unsecured carrying an annual interest at 3% and due on demand. The Company recorded accrued interest payable of \$1,237 as of March 31, 2017. In addition, the Company recorded \$1,425 as an in-kind contribution of interest related to the loan for the year ended December 31, 2016.

On January 23, 2017 the Company signed a lease with a related party for land in Texas. The Company pays \$960 per month starting on February 1, 2017 and uses this facility to grow mulberry for its U.S. silk operations.

Kraig Biocraft Laboratories, Inc.
Notes to Condensed Financial Statements (Unaudited)
As of March 31, 2017 and 2016

As of March 31, 2017 and December 31, 2016, there was \$208,188 and \$187,756, respectively, included in accounts payable and accrued expenses - related party, which is owed to the Company's Chief Executive Officer.

As of March 31, 2017 there was \$600,520 of accrued interest- related party and \$16,404 in shareholder loan interest – related party included in accounts payable and accrued expenses – related party, which is owed to the Company's Chief Executive officer.

As of December 31, 2016 there was \$561,245 of accrued interest- related party and \$15,532 in shareholder loan interest – related party included in accounts payable and accrued expenses – related party, which is owed to the Company's Chief Executive officer

As of March 31, 2017, the Company owes \$1,470,982 in accrued salary to principal stockholder, \$22,386 to the Company's COO, and \$239 to its intern.

As of December 31, 2016, the Company owes \$1,392,041 in accrued salary to principal stockholder, \$20,000 to the Company's COO, and \$421 to its intern.

The Company owes \$65,292 in royalty payable to related party as of March 31, 2017 and December 31, 2016.

On May 28, 2015, the Company issued 3-year warrant for 3,000,000 shares to a related party, with an exercise price of \$0.001 per share. The warrants were granted for services to be rendered. The warrants had a fair value of \$117,503, based upon the Black-Scholes option-pricing model on the date of grant and vesting on October 28, 2016, and will be exercisable on May 28, 2018, and for a period expiring on May 28, 2022. During the years ended of December 31, 2016 and 2015, the Company recorded \$68,600 and \$49,129 as an expense for warrants issued to related party.

On January 1, 2016, the Company issued 3-year warrant for 6,000,000 shares to a related party, with an exercise price of \$0.001 per share. The warrants were granted for services to be rendered. The warrants had a fair value of \$142,526, based upon the Black-Scholes option-pricing model on the date of grant and vesting on February 20, 2017, and will be exercisable on February 20, 2018, and for a period expiring on February 20, 2021. During the three months ended March 31, 2017, the Company recorded \$17,473 as an expense for warrants issued to related party.

On January 23, 2017 the Company signed an 8 year property lease with the Company's President. The Company pays a monthly rent of \$960. Rent expense – related party for the three months ended March 31, 2017 and 2016 was \$1,920 and \$0, respectively.

NOTE 8 SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 12, 2017, the date the financial statements were available to be issued.

On May 2 2017, the Company cancelled a 750,000 share warrant with a consultant.

On May 5 2017, the Company signed a new research and development agreement with the University of Notre Dame increasing research funding by approximately \$189,000 and extending the duration until June 30, 2017.

On May 5, 2017 the Company signed an updated License Agreement with the University of Notre Dame.

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

FORWARD-LOOKING INFORMATION

The following information should be read in conjunction with Kraig Biocraft Laboratories, Inc. and its subsidiaries ("we", "us", "our", or the "Company") condensed unaudited financial statements and the notes thereto contained elsewhere in this report. Information in this Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Form 10-Q that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements, and as such, are not a guarantee of future performance.

Forward-looking statements are subject to risks and uncertainties, certain of which are beyond our control. Actual results could differ materially from those anticipated as a result of the factors described in the "Risk Factors" and detailed in our other Securities and Exchange Commission ("SEC") filings. Risks and uncertainties can include, among others, international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to obtain sufficient financing to continue and expand business operations; the ability to develop technology and products; changes in technology and the development of technology and intellectual property by competitors; the ability to protect technology and develop intellectual property; and other factors referenced in this and previous filings. Consequently, investors should not place undue reliance on forward-looking statements as predictive of future results.

Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report or incorporated by reference might not transpire. Factors that cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described elsewhere in this report and in the "Risk Factors" section of our registration statement on Form S-1.

The Company disclaims any obligation to update the forward-looking statements in this report.

Overview

Kraig Biocraft Laboratories, Inc. is a corporation organized under the laws of Wyoming on April 25, 2006. We were organized to develop high strength fibers using recombinant DNA technology, for commercial applications in both the specialty fiber and technical textile industries. Specialty fibers are engineered for specific uses that require exceptional strength, flexibility, heat resistance and/or chemical resistance. The specialty fiber market is exemplified by two synthetic fiber products: aramid fibers and ultra-high molecular weight polyethylene fiber. The technical textile industry involves products for both industrial and consumer products, such as filtration fabrics, medical textiles (e.g., sutures and artificial ligaments), safety and protective clothing and fabrics used in military and aerospace applications (e.g., high-strength composite materials).

We are using genetic engineering technologies to develop fibers with greater strength, resiliency and flexibility for use in our target markets, namely the textile, specialty fiber and technical textile industries.

The Report of Independent Registered Public Accounting Firm to our financial statements as of December 31, 2016 include an explanatory paragraph stating that our net loss from operations and net capital deficiency at December 31, 2016 raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Plan of Operations

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

- We have spent approximately \$99,000 between January 2017 and April 2017 on collaborative research and development of high strength polymers at the University of Notre Dame. We expect to spend approximately \$66,000 per month between May 2017 and July 2017 on collaborative research and development of high strength polymers at the University of Notre Dame. With this funding we plan to accelerate both our microbiology and selective breeding programs as well as providing more resources for our material testing protocols. If our financing allows, management will give strong consideration to accelerating the pace of spending on research and development within the University of Notre Dame's laboratories.
- We expect to spend approximately \$13,700 on collaborative research and development of high strength polymers and spider silk protein at the University of Wyoming over the next twelve months. This level of research spending at the university is also a requirement of our licensing agreement with the university. If our financing will allow, management will give strong consideration to accelerating the pace of spending on research and development within the University of Wyoming's laboratories.
- We will actively consider pursuing collaborative research opportunities with other university laboratories in the area of high strength polymers. If our financing allows, management will give strong consideration to increasing the depth of our research to include polymer production technologies that are closely related to our core research.

- We will consider buying an established revenue producing company in a compatible business, in order to broaden our financial base and facilitate the commercialization of our products. We expect to use a combination of stock and cash for any such purchase.
- We will also actively consider pursuing collaborative research opportunities with both private and university laboratories in areas of research which overlap the company's existing research and development. One such potential area for collaborative research which the company is considering is protein expression platforms. If our financing allows, management will give strong consideration to increasing the breadth of our research to include protein expression platform technologies.
- We plan to actively pursue collaborative research and product testing, opportunities with companies in the biotechnology, materials, textile and other industries.
- We plan to actively pursue collaborative commercialization, marketing and manufacturing opportunities with companies in the textile and material sectors for the fibers we developed and for any new polymers that we create in 2017.
- We plan to actively pursue the development of commercial scale production of our recombinant materials including Monster Silk ® and Dragon Silk™

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

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

Three months ended March 31, 2017 compared to the Three Months Ended March 31, 2016

Our revenue, operating expenses, and net loss from operations for the three month period ended March 31, 2017 as compared to the three month period ended March 31, 2016, were as follows – some balances on the prior period's combined financial statements have been reclassified to conform to the current period presentation:

	Three Months Ended March 31,			% Change
	2017	2016	Change	
NET REVENUES	\$ -	\$ -	\$ -	-
OPERATING EXPENSES:				
General and Administrative	\$ 151,645	\$ 117,867	\$ 33,778	28.66%
Professional Fees	\$ 75,987	\$ 144,013	\$ (68,026)	(47.24%)
Officer's Salary	\$ 110,722	\$ 105,379	\$ 5,343	5.07%
Rent – related party	\$ 1,920	\$ -	\$ 1,920	100%
Research and Development	\$ 114,190	\$ 110,681	\$ 3,509	3.17%
Total operating expenses	\$ 454,464	\$ 477,940	\$ (\$23,476)	(4.91%)
Loss from operations	\$ (454,464)	\$ (477,940)	\$ 23,476	(4.91%)
Interest expense	\$ (40,147)	\$ (31,040)	\$ (9,107)	29.34%
Net Loss	\$ (494,611)	\$ (508,980)	\$ 14,369	(2.82%)

Net Revenues: During the three months ended March 31, 2017, we realized \$0 of revenues from our business. During the three months ended March 31, 2016, we realized \$0 of revenues from our business. The change in revenues between the quarter ended March 31, 2017 and 2016 was \$0 or 0%.

Cost of Revenues: Costs of revenues for the three months ended March 31, 2017 were \$0, as compared to \$0 for the three months ended March 31, 2016, a change of \$0 or 0%.

Gross Profit: During the three months ended March 31, 2017, we realized a gross profit of \$0, as compared to \$0 for the three months ended March 31, 2016, a change of \$0 or 0%.

Research and development expenses: During the three months ended March 31, 2017 we incurred \$114,190 research and development expenses. During the three months ended March 31, 2016 we incurred \$110,681 of research and development expenses, an increase of \$3,509 or 3.17 % compared with the same period in 2017. The research and development expenses are attributable to the research and development with the Notre Dame University; this increase was due to the timing of research related activity and related charges.

Professional Fees: During the three months ended March 31, 2017, we incurred \$75,987 professional expenses, which decreased by \$68,026 or (47.24 %) from \$144,013 for the three months ended March 31, 2016. The decrease in professional fees expense was attributable to decreased expenses related to intellectual property protection of the research and development activities during the three months ended March 31, 2017.

Officers Salary: During the three months ended March 31, 2017, officers' salary expenses increased to \$110,722 or 5.07% from \$105,379 for the three months ended March 31, 2016. The increase in officer's salary expenses was attributable to an increase in officer's salary.

General and Administrative Expense: General and administrative expenses increased by \$33,778 or 28.66% to \$151,645 for the three months ended March 31, 2017 from \$117,867 for the three months ended March 31, 2016. Our general and administrative expenses for the three months ended March 31, 2017 consisted of consulting fees of \$48,712 and other general and administrative expenses (which includes expenses such as Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation) of \$78,798, Travel of \$19,307 and office salary of \$4,828, for a total of \$151,645. Our general and administrative expenses for the three months ended March 31, 2016 consisted of consulting fees of \$3,000, and other general and administrative expenses (which includes expenses such as: Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation of \$114,788, Travel of \$79 for a total of \$117,867. The primary reason for the increase in comparing the three months ended March 31, 2017 to the corresponding period for 2016 was mainly due to general business expenses.

Interest Expense: Interest expense increased by \$9,107 to \$40,147 for the three month period ended March 31, 2017 from \$31,040 for the three month period ended March 31, 2016. The increase was primarily due to interest on the loans.

Net Loss: Net loss decreased by \$14,369, or 2.82 %, to a net loss of \$494,611 for the three month period ended March 31, 2017 from a net loss of \$508,980 for the three month period ended March 31, 2016. This decrease in net loss was driven primarily by decreases in professional fees.

Liquidity, Capital Resources, and Management Plans

Our condensed financial statements have been presented on the basis that we are a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As presented in the financial statements, we incurred a net loss of \$494,611 during the three months ended March 31, 2017, and losses are expected to continue in the near term. The accumulated deficit is \$23,880,590 at March 31, 2017. Refer to Note 5 for our discussion of stockholder deficit. We have been funding our operations through private loans and the sale of common stock in private placement transactions. Refer to Note 4 and Note 5 in the condensed financial statements for our discussion of notes payable and shares issued, respectively. Our cash resources are insufficient to meet our planned business objectives without additional financing. These and other factors raise substantial doubt about our ability to continue as a going concern. Other factors include, without limitation, risks associated with the commercialization and production of a new and unique product. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of our company to continue as a going concern.

Management anticipates that significant additional expenditures will be necessary to develop and expand our business before significant positive operating cash flows can be achieved. Our ability to continue as a going concern is dependent upon our ability to raise additional capital and to ultimately achieve sustainable revenues and profitable operations. At March 31, 2017, we had \$253,856 of cash on hand. These funds are insufficient to complete our business plan and as a consequence, we will need to seek additional funds, primarily through the issuance of debt or equity securities for cash to operate our business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case of equity financing.

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) raising additional capital and/or obtaining financing; (b) controlling overhead and expenses; and (c) executing material sales or research contracts. There can be no assurance that the Company can successfully accomplish these steps and it is uncertain that the Company will achieve a profitable level of operations and obtain additional financing. There can be no assurance that any additional financing will be available to the Company on satisfactory terms and conditions, if at all. As of the date of this Report, we have not entered into any formal agreements regarding the above.

In the event the Company is unable to continue as a going concern, the Company may elect or be required to seek protection from its creditors by filing a voluntary petition in bankruptcy or may be subject to an involuntary petition in bankruptcy. To date, management has not considered this alternative, nor does management view it as a likely occurrence.

Presently, due to the lack of revenues and profitability we are not able to meet our operating and capital expenses. The success of our ability to continue as a going concern is dependent upon raising additional capital and/or financing, of which there can be no guarantee, and maintaining a break even or profitable level of operations. We have incurred operating losses since inception, and this is likely to continue in the near future.

The financial requirements of our Company will be dependent upon the financial support through credit facilities and additional sales of our equity securities. There can be no assurance, however, that such financing will be available or, if it is available, that we will be able to structure such financing on terms acceptable to us and that it will be sufficient to fund our cash requirements until we can reach a level of profitable operations and positive cash flows. If we are unable to obtain the financing necessary to support our operations, we may be unable to continue as a going concern. We currently have no firm commitments for any additional capital.

The downturn in the United States stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock or the debt securities may cause us to be subject to restrictive covenants. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek additional financing. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Cash, total current assets, total assets, total current liabilities and total liabilities as of March 31, 2017 as compared to December 31, 2016, were as follows:

	March 31, 2017	December 31, 2016
Cash	\$ 253,856	\$ 298,859
Accounts receivable	-	\$ 31,858
Prepaid Expenses	\$ 787	\$ 1,324
Total current assets	\$ 254,643	\$ 332,041
Total assets	\$ 303,373	\$ 383,659
Total current liabilities	\$ 2,986,163	\$ 2,744,472
Total liabilities	\$ 2,986,163	\$ 2,744,472

As of March 31, 2017, we had a working capital deficit of \$2,731,520, compared to a working capital deficit of \$2,412,431 at December 31, 2016. Current liabilities increased to \$2,986,163 at March 31, 2017 from \$2,744,472 at December 31, 2016, primarily as a result of accounts payable and accrued compensation.

For the three months ended March 31, 2017, net cash used in operations of \$193,616 was the result of a net loss of \$494,611 offset by depreciation expense of \$4,275, warrants issued to related parties of \$5,161, warrants issued to consultants of \$17,472, decrease in prepaid expenses of \$537, decrease in accounts receivable of \$31,858, an increase of accrued expenses and other payables-related party of \$137,601 and an increase in accounts payable of \$104,091. For the three months ended March 31, 2016, net cash used in operations of \$251,186 was the result of a net loss of \$508,980 offset by depreciation expense of \$4,185, warrants issued to related parties of \$71,473, a decrease in prepaid expenses of \$395, an increase of accrued expenses and other payables-related party of \$118,185 and an increase in accounts payable of \$63,556.

Our investing activities were \$1,387 and \$0 for the three months ended March 31, 2017 and March 31, 2016, respectively. Our investing activities for the three months ended March 31, 2017 and March 31, 2016 are attributable to purchases of fixed assets.

Our financing activities resulted in a cash inflow of \$150,000 for the three months ended March 31, 2017, which is represented by \$150,000 proceeds from issuance of common stock. Our financing activities resulted in cash inflow of \$200,000 for the three months ended March 31, 2016, which is represented by \$200,000 proceeds from issuance of common stock.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Estimates

Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended December 31, 2016, for disclosures regarding the Company's critical accounting policies and estimates, as well as updates further disclosed in our interim financial statements as described in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of our fiscal quarter ended March 31, 2017, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon those evaluations, management concluded that our disclosure controls and procedures were not effective as of March 31, 2017, to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Going forward from this filing, the Company intends to work on re-establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting

During the quarter covered by this Report, there were no changes in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. No remediation has been made in this quarter since, as we stated in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, we have not yet commercialized a recombinant fiber and, therefore do not yet have sufficient cash flow to carry out our remediation plans.

Part II – Other Information

Item 1. Legal Proceedings

From time to time, the Company may become a party to litigation or other legal proceedings that it considers to be a part of the ordinary course of its business. To the best of our knowledge, the Company is not currently involved in any legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations; however, the Company may become involved in material legal proceedings in the future.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this item. Please refer to Amendment No. 5 to our Registration Statement on Form S-1 filed with the SEC on May 15, 2015 under *Risk Factors*.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information on any and all equity securities we have sold during the period covered by this Report that were not registered under the Securities Act of 1933, as amended is set forth below:

On January 25, 2017, the Company issued 750,000 shares of common stock to a consultant for services rendered.

On February 6, 2017 the Company issued a warrant for 750,000 share of common stock to a consultant for services rendered.

All of the transactions listed above were made pursuant to the exemption from the registration provisions of the Securities Act of 1933, as amended, provided by Section 4(a)(2) of the Securities Act for sales not involving a public offering or Rule 506(b) of Regulation D promulgated by the SEC. The securities issued have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

- (a) Not applicable.
(b) Not applicable.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation (1)
3.2	Articles of Amendment (2)
3.3	Articles of Amendment, filed with the Wyoming Secretary of State on November 15, 2013 (3)
3.4	Articles of Amendment, filed with the Wyoming Secretary of State on December 17, 2013 (4)
3.5	Bylaws(1)
4.1	Form of Warrant issued Mr. Jonathan R. Rice (5)
10.1	Employment Agreement between Mr. Jonathan Rice and the Company (6)
31.1	Certification of the Chief Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to U.S.C. Section 1350 As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

1. Incorporated by reference to our Registration Statement on Form SB-2 (Reg. No. 333-146316) filed with the SEC on September 26, 2007
2. Incorporated by reference to our Registration Statement on Form S-1 (Reg. No. 333-162316) filed with the SEC on October 2, 2009
3. Incorporated by reference to our Current Report on Form 8-K filed with the SEC on November 22, 2013
4. Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 19, 2013
5. Incorporated by reference to our Annual Report on Form 10-K filed with the SEC on March 22, 2017
6. Incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 21, 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned thereunto duly authorized

Kraig Biocraft Laboratories, Inc.
(Registrant)

Date: May 12, 2017

By: /s/ Kim Thompson
Kim Thompson
President, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)

Chief Executive Officer Certification (Section 302)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kim Thompson, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Kraig Biocraft Laboratories, Inc., (Registrant).

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

(4) The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrants disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants ability to record, process, summarize and report financial information ; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants internal control over financial reporting.

Date: May 12, 2017

By: / s / Kim Thompson
Kim Thompson
CEO, CFO, President

CERTIFICATION OF DISCLOSURE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kraig Biocraft Laboratories, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report") I, Kim Thompson, President, CEO and CFO of the Company, certify, pursuant to 18 USC section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2017

By: /s/ Kim Thompson

Kim Thompson

President, Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Chief Financial Officer Certification (Section 302)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kim Thompson, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Kraig Biocraft Laboratories, Inc., (Registrant).
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- (3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- (4) The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrants disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants ability to record, process, summarize and report financial information ; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants internal control over financial reporting.

Date: May 12, 2017

By: /s/ Kim Thompson
Kim Thompson
CEO, CFO, President
