SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Kraig Biocraft Laboratories, Inc

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

FORM 10-K

(Mark One)

☑ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2018

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

Commission File No. 333-146316

KRAIG BIOCRAFT LABORATORIES, INC.
(Exact name of issuer as specified in its charter)

Wyoming	83-0459707
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)
2723 South State St. Suite 150 Ann Arbor, Michigan 48104	(734) 619-8066
(Address of Principal Executive Offices)	(Registrant's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☑ No ☐

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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 in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $34,905,672. The aggregate market value was computed by reference to the last sale price ($0.058 price per share) of such common equity as of that date.

As of March 29, 2019, the registrant had 835,733,840 shares of common stock issued and outstanding.

INTRODUCTORY NOTE

"Kraig", "Kraig Biocraft" "KBLB", "the Company", "we", "us" and "our" refer to Kraig Biocraft Laboratories, Inc., a Wyoming corporation, unless the context otherwise requires.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements and information that are based on the beliefs of our management as well as assumptions made by and information currently available to us. Such statements should not be unduly relied upon. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts or that are not present facts or conditions. Forward-looking statements and information can generally be identified by the use of forward-looking terminology or words, such as "anticipate," "approximately," "believe," "continue," "estimate," "expect," "forecast," "intend," "may," "ongoing," "pending," "perceive," "plan," "potential," "predict," "project," "seeks," "should," "views" or similar words or phrases or variations thereon, or the negatives of those words or phrases, or statements that events, conditions or results "can," "will," "may," "must," "would," "could" or "should" occur or be achieved and similar expressions in connection with any discussion, expectation or projection of future operating or financial performance, costs, regulations, events or trends. The absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements and information are based on management's current expectations and assumptions, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. These statements reflect our current view concerning future events and are subject to risks, uncertainties and assumptions. There are important factors that could cause actual results to vary materially from those described in this report as anticipated, estimated or expected, including, but not limited to, those factors and conditions described under "Item 1A. Risk Factors" as well as general conditions in the economy, petrochemicals industry and capital markets, Securities and Exchange Commission (the "**SEC**") regulations which affect trading in the securities of "penny stocks," and other risks and uncertainties. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future. Depending on the market for our stock and other conditional tests, a specific safe harbor under the Private Securities Litigation Reform Act of 1995 may be available. Notwithstanding the above, Section 27A of the Securities Act of 1933, as amended (the "**Securities Act**"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), expressly state that the safe harbor for forward-looking statements does not apply to companies that issue penny stock. Because we may from time to time be considered to be an issuer of penny stock, the safe harbor for forward-looking statements may not apply to us at certain times.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS.

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, 2018 include an explanatory paragraph stating that our net loss from operations and net capital deficiency at December 31, 2018 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.

The Product

Certain fibers produced in nature possess unique mechanical properties in terms of strength, resilience and flexibility.

Comparison of the Properties of Spider Silk and Steel

	Material Toughness (1)	Tensile Strength (2)	Weight (3)
Dragline spider silk	120,000-160,000	1,100-2,900	1.18-1.36
Steel	2,000-6,000	300-2,000	7.84

1	Measured by the energy required to break a continuous filament, expressed in joules per kilogram (J/kg). A .357 caliber bullet has approximately 925 joules of kinetic energy at impact.
2	Tensile strength refers to the greatest longitudinal stress the fiber can bear, measured by force over area in units of newtons per square meter. The measurement here is in millions of pascals.
3	In grams per cubic centimeter of material.

This comparison table was the result of research performed by Randolph Lewis, Ph.D. at the University of Wyoming. Such work was summarized in an article entitled "Spider Silk: Ancient Ideas for New Biomaterials" which was published in Chemicals Review, volume 106, issue 9, pages 3672 – 3774. The measurements in joules in the table above are a conversion from Dr. Lewis' measurements in newtons/meter squared.

We believe that the genetically engineered protein-based fibers we seek to produce have properties that are in some ways superior to the materials currently available in the marketplace. For example, as noted above, the ability of spider silk to absorb in excess of 100,000 joules of kinetic energy per kilogram makes it a potentially ideal material for structural blast protection.

Production of this material in commercial quantities holds the potential of a life-saving ballistic resistant material, which is lighter, thinner, more flexible, and tougher than steel. Other applications for spider silk based recombinant fibers include use as structural material and for any application in which light weight and high strength are required. We believe that fibers made with recombinant protein-based polymers will make significant inroads into the specialty fiber and technical textile markets.

Our Technology

While scientists have been able to replicate the proteins that are the building blocks of spider silk, the technological barrier that has stymied production until now has been the inability to form these proteins into a fiber with the desired mechanical characteristics and to do so in a cost effective manner.

We have licensed the right to use the patented genetic sequences and genetic engineering technology developed in university laboratories. The Company has been working collaboratively with university laboratories to develop fibers with the mechanical characteristics of spider silk. We are applying this proprietary genetic engineering technology to domesticated silkworms, which are already the most efficient commercial producers of silk.

Our technology builds upon the unique advantages of the domesticated silkworm for this application. The silkworm is ideally suited to produce recombinant protein fiber because it is already an efficient commercial and industrial producer of protein based polymers. Forty percent (40%) of the caterpillars' weight is devoted to the silk glands. The silk glands produce large volumes of protein, called fibroin, which are then spun into a composite protein thread (silk).

We are working to use our genetic engineering technology to create recombinant silk polymers. On September 29, 2010, we jointly announced with the University of Notre Dame the success of our collaborative research with Notre Dame in creating approximately twenty different strains of transgenic silkworm which produce recombinant silk polymers. In April 2011, we entered into a licensing agreement with Sigma-Aldrich which provides us the use of Sigma-Aldrich's zinc finger technology to accelerate and enhance our product development.

A part of our intellectual property portfolio is the exclusive right to use certain patented spider silk gene sequences in silkworm. Under the Exclusive License Agreement with the University of Wyoming, we have obtained certain exclusive rights to use numerous genetic sequences which are the subject of US patents.

The introduction of the gene sequence, in the manner employed by us, results in a germline transformation and is therefore self-perpetuating. This technology is in essence a protein expression platform which has other potential applications including diagnostics and pharmaceutical production.

Collaborative Research and Licensing

In May 2006, the Company entered into a licensing agreement with the University Of Wyoming, which granted the Company the exclusive global rights to use and commercialize patented genetic sequences in silkworm. In exchange for this license the University of Wyoming received $10,000 cash payment and the University of Wyoming Foundation received 17,500,000 shares of the Company's common stock. Under the terms of the licensing agreement, the Company is obligated to provide annual license fees of $10,000 and support the University research with $13,700 annually. As of today, the Company is current on the $10,000 per year payment and are accruing the $13,700 annual payments. No royalties are required. This agreement has remained unchanged since 2006. The Company has not signed any other agreements with the University of Wyoming.

In 2007, the Company entered into the first of a series of collaborative research agreements with the University of Notre Dame ("Notre Dame"). The Company provides financial support to ongoing research and development of transgenic silkworms and the creation of recombinant silk fibers. In exchange, the Company has an option to obtain the exclusive global commercialization rights to the technology developed pursuant to the research effort.

Following the first collaborative research agreement, the Company entered into successive licensing and collaborative research agreements to provide different levels of financial support. The trend has been for an increase in financial support for the research and development in nearly every successive agreement. In June 2012, we entered into an Intellectual Property / Collaborative Research Agreement with Notre Dame ("**2012 Notre Dame Research Agreement**"). On March 4, 2015, we entered into a new Intellectual Property / Collaborative Research Agreement with Notre Dame extending the agreement through March 2016 ("**2015 Notre Dame Research Agreement**"). Under the 2015 Notre Dame Research agreement, the Company provided approximately $534,000 in financial support. On September 20, 2015, the 2015 Notre Dame Research Agreement was amended to increase the total funding by approximately $179,000;in February 2016, the agreement was extended to July 31, 2016 and in August 2016, the agreement was extended to December 31, 2016. In May 2017, the 2015 Notre Dame Research Agreement was amended to increase the total funding by approximately $189,000 and the duration of the agreement was extended to September 30, 2017. The Company has not extended the 2015 Notre Dame Research Agreement after September 30, 2017, but may negotiate a new collaborative research agreement with the Notre Dame in 2019 at reduced levels of funding.

In 2011, the Company exercised its option to obtain the global commercialization rights to the technology developed under the collaborative research agreements with Notre Dame, which resulted in a separate license agreement with Notre Dame (the "**2011 ND Agreement**"). Pursuant to the 2011 ND Agreement, Notre Dame filed an international patent application and numerous national patent applications on technology relating to the creation and use of recombinant spider silks and the Company received exclusive and non-exclusive rights to certain spider silk technologies including commercial rights with the right to sublicense such intellectual property. The 2011 ND Agreement obligates the Company to reimburse Notre Dame for costs associated with the filing, prosecuting and maintaining of such patents and patent applications. In exchange for the rights to commercialization, Notre Dame has received 2,200,000 shares of the Company's common stock and the Company has agreed to pay Notre Dame royalties of 2% of the Company 's gross sales of the licensed products and 10% of any sublicensing fees received by the Company on licensed technology. The Company has also agreed to pay to Notre Dame $50,000 a year, which will be reduced from the total amount of royalties paid in the same year. The $50,000 payment to Notre Dame is not owed for any year in which the Company is sponsoring research within Notre Dame.

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 would transfer to the Company his rights of intellectual property, inventions and trade secrets which the researcher develops relating to recombinant silk. The researcher received 8,000,000 common stock warrants from the Company, exercisable 24 months from the date of the agreement. The researcher would 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 would 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 researcher performs the contract in good faith the consultant will be entitled to an additional 8,000,000 warrants on the two year anniversary of the agreement. The researcher received the 10,000,000 warrants for the creation of a new transgenic meeting performance characteristics and a warrant of 8,000,000 for performance of the contract in good faith. The warrants described above 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 December 30, 2015, the Company entered into a cooperative agreement for the research and pilot production of hybrid silkworms in Vietnam. On May 1, 2018, the Company was issued its Enterprise Registration Certificate ("ERC") so that it can begin its operations in Vietnam. The Company has established a subsidiary in Vietnam where it will develop and produce hybrid silkworms. Management believes the ERC puts the Company on a path to scale to a much greater level by harnessing existing silk production infrastructure with the capacity to match the demand for their spider silk materials.

As of the date of this Report, the Company's research and development efforts are focused on growing their internal capabilities, but will consider renewing funding of the collaborative research and development of high strength polymers at Notre Dame in 2019. The Company has been actively pursuing the development of the commercial scale production of their recombinant materials including Monster Silk® and Dragon Silk™. Additionally, the Company plans to accelerate both their microbiology and selective breeding programs, as well as providing more resources for their material testing protocols in 2019.

The Market

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

Among the users of performance fibers are the military and police, which employ them for ballistic protection. The materials are also used for industrial applications requiring superior strength and toughness, i.e. critical cables and abrasion/impact resistant components. Performance fibers are also employed in safety equipment, high strength composite materials for the aero-space industry and for ballistic protection by the defense industry.

The global market for technical textiles was estimated at greater than $234 billion in 2017. [1]

[1] https://www.alliedmarketresearch.com/technical-textile-market

These are industrial materials which have become essential products for both industrial and consumer applications. The market for technical textiles can be defined as consisting of:

- Medical textiles;
- Geotextiles;
- Textiles used in Defense and Military;
- Safe and Protective Clothing;
- Filtration Textiles;
- Textiles used in Transportation;
- Textiles used in Buildings;
- Composites with Textile Structure;
- Functional and Sportive Textiles.

We believe that the superior mechanical characteristics of the next generation of protein-based polymers (in other words, genetically engineered silk fibers), will open up new applications for the technology. The materials which we are working to produce are many times tougher and stronger than steel. These fibers are often referred to as "super fibers."

The Company

Kraig Biocraft Laboratories, Inc. (Kraig) is a Wyoming corporation. Our shares are traded on the OTCQB under the ticker symbol: KBLB. There are 835,733,840 shares of common stock issued and outstanding as of March 29, 2019; Kim Thompson, our founder and CEO, owns approximately 27.01% of such common shares. There are 2 shares of super voting preferred stock issued and outstanding as of March 29, 2019, all of which Kim Thompson owns.

The inventor of our technology concept, Kim Thompson, is the founder of Kraig Biocraft Laboratories, Inc. Our protein expression system is, in concept, scalable, cost effective, and capable of producing a wide range of proteins and materials.

In 2006, the Company entered into a licensing agreement with the University Of Wyoming, which granted the Company the exclusive global rights to use and commercialize patented genetic sequences in silkworm. In exchange for this license, the University of Wyoming received $10,000 cash payment and the University of Wyoming Foundation received 17,050,000 shares of the Company's common stock. Under the terms of the licensing agreement, the Company is obligated to provide annual license fees of $10,000 and support the University's research with $13,700 annually. As of the date of this Report, the Company is current on the $10,000 per year payment, but has been accruing the $13,700 payments since 2006. No royalties are required under the agreement. This agreement has remained unchanged since 2006.

On April 8, 2011, Kraig and Sigma-Aldrich Co., an Illinois corporation ("Sigma") entered into a License and Option Agreement. Under the terms of the agreement, Sigma will provide Kraig with its proprietary genetic engineering tools and expertise in zinc finger nuclease to enable Kraig to significantly accelerate its product development. In addition to providing the customized tools and technological know-how, Sigma has granted Kraig an option for a commercial license to use the technology in the textile, technical textile and biomedical markets. Sigma will create customized zinc fingers for Kraig's use in its development of spider silk polymers and technical textiles.

In September 2010, the Company announced that it had succeeded in introducing spider silk DNA in silkworm with the result that the transgenic silkworm were producing new recombinant silk fibers. These fibers are a combination of natural silkworm silk proteins and proteins that the silkworms are making as a result of the introduction of the spider silk DNA. The Company announced that it had created approximately twenty different transgenic silkworm strains producing recombinant silk.

We entered into an intellectual property collaborative research agreement with the University of Notre Dame in 2007. That agreement was subsequently extended and expanded to include research and development of certain platform technologies with potential applications for diagnostics and pharmaceutical production. On March 20, 2010, the Company extended its agreement with Notre Dame through February 28, 2011**.** Pursuant to these agreements the genetic work has been conducted primarily within Notre Dame's laboratories. In June 2012, we entered into a Collaborative Research Agreement with Notre Dame ("**2012 Notre Dame Research Agreement**"). On March 4, 2015, we entered into a new Collaborative Research Agreement with University of Notre Dame extending the agreement through March 2016 ("**2015 Notre Dame Research Agreement**"). Under the 2015 Notre Dame Research agreement, the Company provided approximately $534,000 in financial support. 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 and in August 2016 this agreement was extended to December 31, 2016. In May 2017, the 2015 Notre Dame Agreement was amended to increase the total funding by approximately $189,000 and the duration of this agreement was extended to September 30, 2017. The Company did not extend the agreement after September 30, 2017. The Company will consider negotiating a new Collaborative Research Agreement with the University of Notre Dame in 2019 at reduced levels of funding. For the year ended December 31, 2018 and 2017, respectively, the Company paid $0 and $258,892 in research and development fees.

License Agreements/Intellectual Property

We have obtained certain rights to use a number of university created, and patented, spider silk proteins, gene sequences and methodologies.

Between 2010 and 2014 the University of Notre Dame filed approximately twelve patent applications pursuant to our intellectual property and collaborative research agreement. Under the terms of that agreement the Company has an option for the exclusive commercial rights to that technology. The Company has notified the University of its exercise of that option. These patent applications include coverage in the United States, Europe, South Korea, Vietnam, Brazil, India, China, Australia, Japan, and Canada. As of the date hereof, two patents have been issued, number 10-1926286 in South Korea and number 2011314072 in Australia, all remaining patents applications are still in process.

In 2014, seven trademarks were issued to the Company which it intends to use for product branding in the future. The details of such trademarks are set forth in the following table:

Marks	Registered Owner	Country	Status
Monster SilkTM	Kraig Biocraft Laboratories	United States of America	issued
SpiderpillarTM	Kraig Biocraft Laboratories	United States of America	issued
SpilkTM	Kraig Biocraft Laboratories	United States of America	issued
Monster WormTM	Kraig Biocraft Laboratories	United States of America	issued
Spider WormTM	Kraig Biocraft Laboratories	United States of America	issued
Spider MothTM	Kraig Biocraft Laboratories	United States of America	issued

License Agreement with Notre Dame University

As previously stated, in 2011, the Company exercised its option to obtain the global commercialization rights to the technology developed under the collaborative research agreements with Notre Dame, which resulted in a separate license agreement with Notre Dame. Pursuant to that license agreement, Notre Dame has filed an international patent application and numerous national patent applications on technology relating to the creation and use of recombinant spider silks. The license agreement obligates the Company to reimburse Notre Dame for costs associated with the filing, prosecuting and maintaining of such patents and patent applications. 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 may 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.

Exclusive License Agreement with University of Wyoming

In May 2006, we entered into a license agreement with the University of Wyoming, pursuant to which we have licensed the right to commercialize the production by silkworms of certain synthetic and natural spider silk proteins and the genetic sequencing for such spider silk proteins. These spider silk proteins and genetic sequencing are covered by patents held by the University of Wyoming. Our license allows us only to use silkworms to produce the licensed proteins and genetic sequencing. We have the right to sublicense the intellectual property that we license from the University of Wyoming. Our license agreement with the University of Wyoming requires that we pay licensing and research fees to the university in exchange for an exclusive license in our field of use for certain university-developed intellectual property including patented spider silk gene sequences. Pursuant to the agreement, we issued 17,500,000 shares of our Class A common stock to the University Foundation. Our license agreement with the University of Wyoming will continue until the later of (i) expiration of the last-to-expire patent we license from the University of Wyoming under this license agreement in such country or (ii) ten years from the date of first commercial sale of a licensed product in such country. There are no royalties payable to the University of Wyoming under the terms of our agreement with them.

We anticipate making arrangements with the University of Wyoming to address accrued fees. If we fail to make such arrangements the University of Wyoming could terminate our license agreement. We anticipate that such a termination would result in a loss of one to three months of research time and result in increased research and development costs in the range of $20,000 to $60,000.

Research and Development

On September 29, 2010 we announced that we had achieved our longstanding goal of producing new silk fibers composed of recombinant proteins. The Company intends to turn our technology to the development and production of high performance polymers**.**

During the fiscal years ended December 31, 2018 and 2017, we have spent approximately 13,160 hours and 8,200 hours, respectively, on research and development activities, which consisted primarily of laboratory research on genetic engineering by our in-house research operations and outside consultants pursuant to our collaborative research agreement with the University of Notre Dame in 2017..

Employees

As of the date of this filing, we have 9 employees including Kim Thompson, our sole officer and director and Jonathan R. Rice, our Chief Operating Officer. We plan to hire more persons on as-needed basis.

ITEM 1A. RISK FACTORS.

As the Company is a smaller reporting company, this item is not applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

As the Company is a smaller reporting company, this item is not applicable.

ITEM 2. DESCRIPTION OF PROPERTY.

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 $2,328 for conference facilities, mail, fax, and reception services located at our principal place of business.

Starting in February of 2015, we rent additional office space in East Lansing, Michigan and currently pay a monthly rent of $432 for office space, conference facilities, mail, fax, and reception services. This lease ended in October of 2017.

Starting in July of 2016, we rent factory space in South Bend, Indiana with a monthly rent of $670. This lease ended in November of 2017.

On January 23, 2017, the Company signed an 8 year property lease with the Company's President for land in Texas where the Company grows its mulberry. The Company pays a monthly rent of $960. Rent expense – related party for the year ended December 31, 2018 and 2017 was $11,520 and $10,560, respectively.

On September 13, 2017, the Company signed a new two year lease commencing on October 1, 2017 and ending on September 30, 2019. The Company pays an annual rent of $39,200 for the year one of lease and $42,000 for the year two of lease for office and manufacturing space. For the year ended December 31, 2018 and 2017 the Company paid $46,433 and $9,800 respectively, for office and manufacturing space.

ITEM 3. LEGAL PROCEEDINGS.

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

To the knowledge of our management, we are currently not a party to any material legal or administrative proceedings and are not aware of any pending or threatened legal or administrative proceedings against us.

ITEM 4. MINE SAFETY DISCLOSURES.

As the Company is a smaller reporting company, this item is not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock trades on the OTCQB system under the symbol "KBLB." Our CUSIP number is 50075W.

Holders

As of March 29, 2019 in accordance with our transfer agent records, we had 30 record holders of our Class A common stock and 0 holders of our Class B common stock. This number excludes any estimate by us of the number of beneficial owners of shares held in street name, the accuracy of which cannot be guaranteed.

Transfer Agent and Registrar

Our transfer agent is Olde Monmouth Stock Transfer Co., Inc., 200 Memorial Parkway, Atlantic Highlands, NJ 07716 and its phone number is (732) 872-2727.

Sale of Unregistered Securities

Information regarding any 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. Each such transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D promulgated by the SEC, unless otherwise noted. Unless stated otherwise: (i) the securities were offered and sold only to accredited investors; (ii) there was no general solicitation or general advertising related to the offerings; (iii) each of the persons who received these unregistered securities had knowledge and experience in financial and business matters which allowed them to evaluate the merits and risk of the receipt of these securities, and that they were knowledgeable about our operations and financial condition; (iv) no underwriter participated in, nor did we pay any commissions or fees to any underwriter in connection with the transactions; and, (v) each certificate issued for these unregistered securities contained a legend stating that the securities have not been registered under the Securities Act and setting forth the restrictions on the transferability and the sale of the securities.

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.

On June 20, 2017 the Company granted 14,745,203 shares in connection with the cashless exercise of the 15,000,000 warrants. The shares were issued on July 14, 2017.

On June 26, 2017, the Company issued 2-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 $848,011, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants became exercisable on December 26, 2017, and for a period of 2 years expiring on June 26, 2019. During the year ended December 31, 2017, the Company recorded 848,011 as an expense for warrants issued.

On December 27, 2017, the Company granted 14,651,162 shares in connection with the cashless exercise of the 15,000,000 warrants. The shares were issued on December 29, 2017.

On February 9, 2018, the Company issued 3-year warrant to purchase 3,000,000 shares of common stock at an exercise price of $0.056 per share to a consultant for services rendered. The warrants had a fair value of $52,660, 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 August 9, 2019, and for a period of 2 years expiring on August 9, 2021. During the year ended December 31, 2018, the Company recorded 52,660 as an expense for warrants issued.

On March 20, 2018, the Company issued 4-year warrant to purchase 600,000 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 $19,915, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on March 20, 2018. Warrants will be exercisable on March 20, 2019, and for a period of 3 years expiring on March 20, 22. During the year ended December 31, 2018, the Company recorded 19,915 as an expense for warrants issued.

On April 6, 2018, the Company issued 36,000 shares with a fair value of $1,076 ($0.0299/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through June 30, 2018 in the amount of $21,000.

Repurchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

As the Company is a smaller reporting company, this item is not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Caution Regarding Forward-Looking Information

The following discussion and analysis of our financial condition and result of operations should be read in conjunction with our audited consolidated financial statements and the notes to those financial statements appearing elsewhere in this Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties contained in this report and the other reports we file with the Securities and Exchange Commission. Our actual results may differ materially from those contained in any forward-looking statements.

Plan of Operations

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

- We plan to accelerate both our microbiology and selective breeding programs as well as providing more resources for our material testing protocols into 2019. We spent approximately $148,069 over the last 12 months on research and development of high strength polymers. In 2018 we directed our research and development efforts on growing our internal capabilities. We will consider renewing funding of the collaborative research and development of high strength polymers at the University of Notre Dame in 2019.

- 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.

- We plan to complete renovations of our Quang Nam, Vietnam factory and begin commercial scale production of our recombinant spider silk in Vietnam according to our investment and enterprise registration certificates.

- 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 2019.

- We plan to actively pursue the development of commercial scale production of our recombinant materials including Monster Silk ® and Dragon SilkTM.

Limited Operating History

We have not previously demonstrated that we will be able to expand our business through an increased investment in our research and development efforts. We cannot guarantee that the research and development efforts described in this 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 and possible rejection of our products in development.

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

Results of Operations for the Years ended December 31, 2018 and 2017.

Our revenue, operating expenses, and net loss from operations for the years ended December 31, 2018 as compared to the year ended December 31, 2017, were as follows – some balances on the prior period's combined financial statements have been reclassified to conform to the current period presentation:

	Year Ended December 31		Increase (Decrease)	% Change
	2018	2017	Change	
NET REVENUES	$ 401,620	$ 97,318	304,302	312.69%
OPERATING EXPENSES:				
General and Administrative	515,875	1,217,050	(701,175)	-57.61%
Professional Fees	157,976	322,215	(164,239)	-50.97%
Officer's Salary	528,127	444,596	83,531	18.79%
Rent - Related Party	11,520	10,560	960	9.09%
Research and Development	148,069	258,892	(110,823)	-42.81%
Total operating expenses	1,361,567	2,253,313	(891,746)	-39.57%
Loss from operations	(959,947)	(2,155,995)	1,196,048	-55.48%
Gain on forgiveness of debt	19,924	-	19,924	100.00%
Interest expense	(228,954)	(177,105)	(51,849)	29.28%
Net Loss	$ (1,168,977)	$ (2,333,100)	1,164,123	-49.90%

Net Revenues: During the year ended December 31, 2018, we realized $401,620 of revenues from our business. During the year ended December 31, 2017, we realized $97,318 of revenues from our business. The change in revenues between the years ended December 31, 2018 and 2017 was $304,302 or 312.69%. This increase was related to the US Defense Department exercise of our contract option extension and increased funding levels.

Research and development expenses: During year ended December 31, 2018 we incurred $148,069 research and development expenses. During year ended December 31, 2017 we incurred $258,892 of research and development expenses, a decrease of $110,823 or 42.81% compared with the same period in 2017. The research and development expenses are attributable to the research and development with the Notre Dame University; the decrease was due to the timing of research related activity and reduced costs by insources the Company's research operations.

Professional Fees: During year ended December 31 2018, we incurred $157,976 professional expenses, which decreased by $164,239 or 50.97% from $322,215 for year ended December 31, 2017. The decrease in professional fees expense was attributable to decreased expenses related to investor relations services during year ended December 31, 2018.

Officers Salary: During year ended December 31, 2018, officers' salary expenses increased to $528,127 or 18.79% compared to $444,596 for year ended December 31, 2017.

General and Administrative Expense : General and administrative expenses decreased by $701,175 or 57.61% to $515,875 for year ended December 31, 2018 from $1,217,050 for year ended December 31, 2017. Our general and administrative expenses for year ended December 31, 2018 consisted of consulting fees of $26,538 and other general and administrative expenses (which includes expenses such as Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation) of $325,897, Travel of $19,141, office salary of $144,299 for a total of $515,875. Our general and administrative expenses for year ended December 31, 2017 consisted of salaries and benefits of $55,852, consulting fees of $81,280, and other general and administrative expenses (which includes expenses such as: Auto, Business Development, SEC Filing, Investor Relations, General Office, warrant Compensation of $1,048,939, and travel of $30,979 for a total of $1,217,050. The primary reason for the decrease in comparing year ended December 31, 2018 to the corresponding period for 2017 was mainly due to general business expenses and warrants issuances for services.

Rent – Related Party: During the year ended December 31 2018, rent- related party expense increased to $11,520 or 9.09 % compared to $10,560 for the year ended December 31, 2017. The increase in rent-related party expense was attributable to the additional month of rent recorded in 2018.

Gain on Forgiveness of Debt: Gain on forgiveness of debt increased by $19,924 to $19,924 for the year ended December 31, 2018 compared to $0 for the year ended December 31, 2017. The increase was primarily due to the issuance of stock as payment for consulting services.

Interest Expense: Interest expense increased to $228,954, or 29.27% for the year ended December 31, 2018 compared to $177,105 for the year ended December 31, 2017. The increase was primarily due to interest on the related party loans and accounts payable and accrued expenses to the related parties.

Net Loss: Net loss decreased by $1,164,123, or 49.90%, to a net loss of $1,168,977 for the year ended December 31, 2018 from a net loss of $2,333,100 for the year ended December 31, 2017. This decrease in net loss was driven primarily by decreases in research and development, warrant compensation, and professional fees.

Capital Resources and Liquidity

Our financial statements have been presented on the basis that we have 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 $1,168,977 during the year ended December 31, 2018, and losses are expected to continue in the near term. The accumulated deficit is $26,888,056 at December 31, 2018. Refer to Note 2 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 5 and Note 7 in the 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. 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 December 31, 2018, we had $13,697 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 stockholders, in the 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.

Cash, total current assets, total assets, total current liabilities and total liabilities as of December 31, 2018 as compared to December 31, 2017, were as follows:

	December 31, 2018	December 31, 2017
Cash	$ 13,697	$ 18,150
Accounts receivable	$ -	$ 25,872
Prepaid expenses	$ 6,858	$ 4,465
Total current assets	$ 20,555	$ 48,487
Total assets	$ 71,383	$ 114,499
Total current liabilities	$ 4,530,606	$ 3,490,305
Total liabilities	$ 4,530,606	$ 3,490,305

At December 31, 2018, we had a working capital deficit of $4,510,051, compared to a working capital deficit of $3,441,818 at December 31, 2017. Current liabilities increased to $4,530,606 at December 31, 2018 from $3,490,305 at December 31, 2017, primarily as a result of primarily as a result of accounts payable and accrued compensation.

For the year ended December 31, 2018, net cash used in operations of $235,005 was the result of a net loss of $1,168,977 offset by offset by depreciation expense of $26,632, gain on forgiveness of debt of $ 19,924, imputed interest on related party loans of $11,909, warrants issued to consultants of $72,575, decrease in accounts receivable of $ 25,872, and an increase in other receivable of $2,394, an increase of accrued expenses and other payables-related party of $682,976, an increase in accounts payable of $136,326. For the year ended December 31, 2017, net cash used in operations of $729,542 was the result of a net loss of $2,333,100 offset by depreciation expense of $20,291, imputed interest on related party loans of $2,623, warrants issued to related parties of $17,473, warrants issued to consultants of $848,011, increase in prepaid expenses of $6,658, decrease in accounts receivable of $5,986, an increase of accrued expenses and other payables-related party of $551,237, and an increase in accounts payable of $164,595.

Net cash used in our investing activities were $11,448 and $31,167 for the year ended December 31, 2018 and December 31, 2017, respectively. Our investing activities for the years ended December 31, 2018 and 2017 are attributable to purchases of fixed assets.

Our financing activities resulted in a cash inflow of $242,000 for the year ended December 31, 2018, which is represented by shareholder loan payable. Our financing activities resulted in cash inflow of $480,000 for the year ended December 31, 2017, which is represented by $450,000 proceeds from issuance of common stock and $30,000 proceeds from shareholder note payable.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, and revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 1 of our financial statements. While all these significant accounting policies impact its financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our results of operations, financial position or liquidity for the periods presented in this report.

Recent Accounting Pronouncements

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income . The guidance permits entities to reclassify tax effects stranded in Accumulated Other Comprehensive Income as a result of tax reform to retained earnings. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods and can be applied retrospectively or in the period of adoption. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendment provides guidance on accounting for the impact of the Tax Cuts and Jobs Act (the "Tax Act") and allows entities to complete the accounting under ASC 740 within a one-year measurement period from the Tax Act enactment date. This standard is effective upon issuance. The Tax Act has several significant changes that impact all taxpayers, including a transition tax, which is a one-time tax charge on accumulated, undistributed foreign earnings. The calculation of accumulated foreign earnings requires an analysis of each foreign entity's financial results going back to 1986. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting , which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify certain disclosure requirements of fair value measurements and are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments.

As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception.

Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim 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. The Company is currently reviewing the impact of adoption of ASU 2017-11on its financial statements.

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As the Company is a smaller reporting company, this item is not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Kraig Biocraft Laboratories, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kraig Biocraft Laboratories, Inc. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

We have served as the Company's audit since 2013.

Houston, TX

March 29, 2019

Kraig Biocraft Laboratories, Inc. and Subsidiary

Consolidated Balance Sheets

ASSETS

	December 31, 2018	December 31, 2017
Current Assets		
Cash	**$ 13,697**	**$ 18,150**
Accounts receivable, net	-	25,872
Prepaid expenses	6,858	4,465
Total Current Assets	20,555	48,487
Property and Equipment, net	47,310	62,494
Security deposit	3,518	3,518
Total Assets	**$ 71,383**	**$ 114,499**

LIABILITIES AND STOCKHOLDERS' DEFICIT

	December 31, 2018	December 31, 2017
Current Liabilities		
Accounts payable and accrued expenses	**$ 793,482**	**$ 678,157**
Note payable - related party	322,000	80,000
Royalty agreement payable - related party	65,292	65,292
Accounts payable and accrued expenses - related party	3,349,832	2,666,856
Total Current Liabilities	**4,530,606**	**3,490,305**
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,		
816,883,910 and 816,847,910 shares issued and outstanding, respectively	15,145,798	15,144,722
Common stock Class B, no par value; unlimited shares authorized,		
no shares issued and outstanding	-	-
Common Stock Issuable, 1,122,311 and 1,122,311 shares, respectively	22,000	22,000
Additional paid-in capital	2,043,235	1,958,751
Accumulated Deficit	(26,888,056)	(25,719,079)
Total Stockholders' Deficit	**(4,459,223)**	**(3,375,806)**
Total Liabilities and Stockholders' Deficit	**$ 71,383**	**$ 114,499**

Kraig Biocraft Laboratories, Inc. and Subsidiary

Consolidated Statements of Operations

	For the Years Ended December 31, 2018	December 31, 2017
Revenue	$ 401,620	$ 97,318
Operating Expenses		
General and Administrative	515,875	1,217,050
Professional Fees	157,976	322,215
Officer's Salary	528,127	444,596
Rent - Related Party	11,520	10,560
Research and Development	148,069	258,892
Total Operating Expenses	1,361,567	2,253,313
Loss from Operations	(959,947)	(2,155,995)
Other Income/(Expenses)		
Gain on forgiveness of debt	19,924	-
Interest expense	(228,954)	(177,105)
Total Other Income/(Expenses)	(209,030)	(177,105)
Net (Loss) before Provision for Income Taxes	(1,168,977)	(2,333,100)
Provision for Income Taxes	-	-
Net (Loss)	**$ (1,168,977)**	**$ (2,333,100)**
Net Income (Loss) Per Share - Basic and Diluted	**$ (0.00)**	**$ (0.00)**
Weighted average number of shares outstanding during the period - Basic and Diluted	**816,874,442**	**791,393,428**

Kraig Biocraft Laboratories, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2018	**2017**
Cash Flows From Operating Activities:		
Net Loss	$ (1,168,977)	$ (2,333,100)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation expense	26,632	20,291
Gain on forgiveness of debt	(19,924)	-
Imputed interest - related party	11,909	2,623
Warrants issued to consultants	72,575	848,011
Warrants issued to related party	-	17,473
Changes in operating assets and liabilities:		
(Increase) Decrease in prepaid expenses	(2,394)	(6,658)
(Increase) Decrease in accounts receivables, net	25,872	5,986
Increase in accrued expenses and other payables - related party	682,976	551,237
Increase in accounts payable	136,326	164,595
Net Cash Used In Operating Activities	**(235,005)**	**(729,542)**
Cash Flows From Investing Activities:		
Purchase of Fixed Assets and Domain Name	(11,448)	(31,167)
Net Cash Used In Investing Activities	**(11,448)**	**(31,167)**
Cash Flows From Financing Activities:		
Proceeds from Notes Payable - related party	242,000	30,000
Proceeds from issuance of common stock	-	450,000
Net Cash Provided by Financing Activities	**242,000**	**480,000**
Net Increase in Cash	(4,453)	(280,709)
Cash at Beginning of Period	18,150	298,859
Cash at End of Period	**$ 13,697**	**$ 18,150**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 10	$ -
Cash paid for taxes	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Shares issued in connection with cashless warrants exercise	$ -	$ 1,703,115
Shares issued from stock payable	$ -	$ -
Settlement of accounts payable with stock issuance	$ 1,076	$ 32,850

Kraig Biocraft Laboratories, Inc. and Subsidiary
Conolidated Statement of Changes in Stockholders Deficit
For the years ended December 31, 2018 and 2017

	Preferred Stock - Series A		Common Stock - Class A		Common Stock - Class B		Common Stock - Class A Shares To be issued		APIC	Accumulated Deficit	Total
	Shares	Par	Shares	Par	Shares	Par	Shares	Par			
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 ($0.0491/share)	-	$ -	9,167,259	$ 450,000	-	$ -	-	$ -	$ -	$ -	$ 450,000
Warrants issued for services - related party	-	$ -	-	$ -	-	$ -	-	$ -	$ 17,473	$ -	$ 17,473
Warrants issued for services	-	$ -	-	$ -	-	$ -	-	$ -	$ 848,011	$ -	$ 848,011
Exercise of 30,000,000 warrants in exchange for stock	-	$ -	29,396,365	$ 1,478,211	-	$ -			$ (1,478,211)	$ -	$ -
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)	$ -	$ -	$ -
Imputed interest - related party	-	$ -	-	$ -	-	$ -	-	$ -	$ 2,623	$ -	$ 2,623
Net loss for the years ended December 31, 2017	-	$ -	-	$ -	-	$ -	-	$ -	$ -	$ (2,333,100)	$ (2,333,100)
Balance, December 31, 2017	**2**	**$ 5,217,800**	**816,847,910**	**$ 15,144,722**	**-**	**$ -**	**1,122,311**	**$ 22,000**	**$ 1,958,751**	**$ (25,719,079)**	**$ (3,375,806)**
Warrants issued for services	-	$ -	-	$ -	-	$ -	-	$ -	$ 72,575	$ -	$ 72,575
Stock issued for services ($0.0299/Sh)	-	$ -	36,000	$ 1,076	-	$ -	-	$ -	$ -	$ -	$ 1,076
Imputed interest - related party	-	$ -	-	$ -	-	$ -	-	$ -	$ 11,909	$ -	$ 11,909
Net loss for the year ended December 31, 2018	-	$ -	-	$ -	-	$ -	-	$ -	$ -	$ (1,168,977)	$ (1,168,977)
Balance, December 31, 2018	**2**	**$ 5,217,800**	**816,883,910**	**$ 15,145,798**	**-**	**$ -**	**1,122,311**	**$ 22,000**	**$ 2,043,235**	**$ (26,888,056)**	**$ (4,459,223)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Organization

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.

On March 5, 2018, the Company issued a board resolution authorizing investment in a Vietnamese subsidiary and appointing a representative for the subsidiary.

On April 24, 2018, the Company announced that it had received its investment registration certificate for its new Vietnamese subsidiary Prodigy Textiles Co., Ltd.

On May 1, 2018, the Company announced that it had received its enterprise registration certificate for its new Vietnamese subsidiary Prodigy Textiles Co., Ltd.

(B) Foreign Currency

The assets and liabilities of Prodigy Textiles, Co., Ltd. whose functional currency is the Vietnamese Dong, are translated into US dollars at period-end exchange rates prior to consolidation. Income and expense items are translated at the average rates of exchange prevailing during the period. The adjustments resulting from translating the Company’s financial statements are reflected as a component of other comprehensive (loss) income. Foreign currency transaction gains and losses are recognized in net earnings based on differences between foreign exchange rates on the transaction date and settlement date.

(C) Use of Estimates

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

(D) Cash

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents as of December 31, 2018 or December 31, 2017.

(E) Loss Per Share

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by FASB Accounting Standards Codification No. 260, “Earnings per Share.” For December 31, 2018 and 2017, 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 December 31, 2018 and September 30, 2017 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	December 31, 2018	**September 30, 2017**
Stock Warrants (Exercise price - $0.001/share)	36,400,000	47,800,000
Convertible Preferred Stock	2	2
Total	36,400,002	47,800,002

(F) Research and Development Costs

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

(G) Income Taxes

The Company accounts for income taxes under 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.

The net deferred tax liability in the accompanying balance sheets includes the following amounts of deferred tax assets and liabilities:

	2018	2017
Expected income tax recovery (expense) at the statutory rate of 34% in 2017; 21% in 2018	$ (1,412,328)	$ (793,170)
Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes)	11,057	294,265
Change in valuation allowance	(1,423,384)	498,906
Provision for income taxes	$ -	$ -

The components of deferred income taxes are as follows:

	Years Ended December, 2018	2017
Deferred tax liability:	$ -	$ -
Deferred tax asset		
Net Operating Loss Carryforward	2,910,863	4,334,248
Valuation allowance	(2,910,863)	(4,334,248)
Net deferred tax asset	-	-
Net deferred tax liability	**$ -**	**$ -**

The valuation allowance was established to reduce the deferred tax asset to the amount that will more likely than not be realized. This is necessary due to the Company's continued operating losses and the uncertainty of the Company's ability to utilize all of the net operating loss carryforwards before they will expire through the year 2038.

The net change in the valuation allowance for the year ended December 31, 2018 and 2017 was a decrease of $1,412,328 and an increase of $498,906 respectively.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law and the new legislation contains several key tax provisions that affected us, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the corporate income tax rate to 21% effective January 1, 2018, among others. We are required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, remeasuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since the Tax Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation are expected over the next 12 months, we consider the accounting of the transition tax, deferred tax re-measurements, and other items to be incomplete due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. We expect to complete our analysis within the measurement period in accordance with SAB 118.

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 December 31, 2018 and December 31, 2017 there were no amounts that had been accrued in respect to uncertain tax positions.

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.

(I) Recent Accounting Pronouncements

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income . The guidance permits entities to reclassify tax effects stranded in Accumulated Other Comprehensive Income as a result of tax reform to retained earnings. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods and can be applied retrospectively or in the period of adoption. We are evaluating the impact of adopting this guidance on our Consolidated Financi al Statements.

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendment provides guidance on accounting for the impact of the Tax Cuts and Jobs Act (the “Tax Act”) and allows entities to complete the accounting under ASC 740 within a one-year measurement period from the Tax Act enactment date. This standard is effective upon issuance. The Tax Act has several significant changes that impact all taxpayers, including a transition tax, which is a one-time tax charge on accumulated, undistributed foreign earnings. The calculation of accumulated foreign earnings requires an analysis of each foreign entity’s financial results going back to 1986. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting , which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.
The amendments in this Update modify certain disclosure requirements of fair value measurements and are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. We are evaluating the impact of adopting this guidance on our Consolidated Financial Statements.

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments.

As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception.

Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim 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. The Company is currently reviewing the impact of adoption of ASU 2017-11on its financial statements.

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

The 2017 financial statements have been reclassified to conform to the 2018 presentation.

(J) 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 for the year ended December 31, 2018 and 2017.

(K) 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 December 31, 2018 and December 31, 2017.
° 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.

	December 31, 2018	December 31, 2017
Level 1	$ -	$ -
Level 2	$ -	$ -
Level 3	$ -	$ -
Total	$ -	$ -

(L) Revenue Recognition

During 2017 and the year ended December 31, 2018 the Company's revenues were generated primarily from a contract with the U.S. Government. The Company performs work under this cost-plus-fixed-fee contract. Under the base phase of that contract the Company produced recombinant spider silk woven into ballistic shootpack panels. Those shootpack panels were delivered to the U.S. Government customer. Under an option period award starting in July 2017, to that original contract, the Company has worked to develop new recombinant silks.

Effective January 1, 2018, the Company adopted ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists;(2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured.

For the year ended December 31, 2018 and 2017, the Company recognized $401,620 and $0 respectively in revenue from the Government contract. These revenues were generated for work performed in the development and production of the Company's recombinant silks under the base and option period phases of our ongoing contract with the US Army.

On July 24, 2017, the Company signed a contract option extension with the US Army to research and deliver recombinant spider silk fibers and threads. This contract option increased the total contract award by an additional $921,130 to a total of $1,021,092 and added 12 months to the contract duration. This effort was scheduled to end on September 24, 2018, but the Company requested an extension of this contract option period through April 2019 to complete the work. The Company has been in communication with the contracting office and is working with them as they determine the best path forward. Management believes there is a possibility of securing a follow-up contract to complete the delivery of all materials for the contract. The Company is also continuing to pursue additional contract opportunities with the Department of Defense, Department of Energy and other governmental agencies.

(M) Concentration of Credit Risk

The Company at times has cash in banks in excess of FDIC insurance limits. At December 31, 2018 and December 31, 2017, the Company had approximately $0 and $0, respectively in excess of FDIC insurance limits.

At December 31, 2018 and December 31, 2017, the Company had a concentration of accounts receivable of:

Customer	December 31, 2018	December 31, 2017
Customer A	-	100%
Customer A	$ -	$ 25,872

For the year ended December 31, 2018 and 2017, the Company had a concentration of sales of:

Customer	December 31, 2018	September 30, 2017
Customer A	100%	0%
Customer A	$ 401,620	$ --

For the year ended December 31, 2018 and 2017, the Company booked $0 and $0 for doubtful accounts.

NOTE 2 GOING CONCERN

As reflected in the accompanying financial statements, the Company has a working capital deficiency of $4,510,051 and stockholders' deficiency of $4,459,223 and used $235,005 of cash in operations for year ended December 31, 2018. 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 December 31, 2018 and December 31, 2017, property and equipment, net, is as follows:

	As of December 31, 2018	December 31, 2017
Automobile	**$ 41,805**	**$ 41,805**
Laboratory Equipment	**73,194**	**61,746**
Office Equipment	**7,260**	**7,260**
Leasehold Improvements	**7,938**	**7,938**
Less: Accumulated Depreciation	**(82,887)**	**(56,255)**
Total Property and Equipment, net	**$ 47,310**	**$ 62,494**

Depreciation expense for the year ended December 31, 2018 and 2017 was $26,632 and $20,291 respectively.

NOTE 4 ACRRUED INTEREST – RELATED PARTY

On June 6, 2016, the Company received $50,000 from a principal stockholder. Subsequently on December 1, 2017, the Company received an additional $30,000 from a principal stockholder. On January 8, 2018 and March 31, 2018 the Company received an additional $100,000 and $15,000, respectively. On April 26, 2018, the Company received $20,000 from a principal stockholder, $15,000 on June 21, 2018, $15,000 on June 29, 2018, $26,000 on October 1, 2018, $11,000 on October 12, 2018 and $20,000 on October 21, 2018. Pursuant to the terms of the loan, the advance bears an interest at 3%, is unsecured, and due on demand. Total loan payable to principal stockholder for as of December 31, 2018 is $322,000. Pursuant to the terms of the loans, the advances bear an interest at 3%, is unsecured and due on demand. During the year ended December 31, 2018 the Company recorded $11,909 as an in-kind contribution of interest related to the loan and recorded accrued interest payable of $7,071. During the year ended December 31, 2017, the Company recorded accrued interest payable of $1,621 and $2,623 as an in-kind contribution of interest related to the loan.

NOTE 5 STOCKHOLDERS' DEFICIT

(A) Common Stock Issued for Cash

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

On April 6, 2017, the Company issued 2,083,333 share of common stock for $100,000 ($0.05/share).

On June 12, 2017, the Company issued 2,268,603 shares of common stock for $100,000 ($0.044/share)

On June 15, 2017, the Company issued 2,136,752 shares of common stock for $100,000 ($0.047/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 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)).

On April 6, 2018, the Company issued 36,000 shares with a fair value of $1,076 ($0.0299/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through December 31, 2018 of $21,000. The issuance of shares resulted in gain on settlement of accounts payable of $19,924 (See Note 6(B)).

(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 became exercisable commencing on February 20, 2018, and for a period expiring on February 20, 2021. During the year ended December 31, 2016, the Company recorded $17,473 as an expense for warrants issued to related party.

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

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 became 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%
Expected term	4 years
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 became 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%
Expected term	4 years
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 year 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%
Expected term	2 years
Risk free interest rate	0.82%
Expected forfeitures	0%

On December 8, 2016, 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 became 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.

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. The shares were subsequently issued on January 23, 2017.

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. The shares were subsequently issued on January 23, 2017.

On February 6, 2017, 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 year ended December 31, 2017, the Company recorded $5,161 as an expense for warrants issued. On May 2, 2017, the Company cancelled a 750,000 share warrant with a consultant as the consultant was terminated and the option expense was recaptured by the Company.

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

On June 26, 2017, the Company issued 2-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 $848,011, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on the date granted. Warrants became exercisable on December 26, 2017, and for a period of 2 years expiring on June 26, 2019. During the year ended December 31, 2017, the Company recorded 848,011 as an expense for warrants issued.

On July 14, 2017 the Company granted 14,745,203 shares in connection with the cashless exercise of the 15,000,000 warrants. (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 December 27, 2017, the Company issued of 14,651,162 shares in connection with the cashless exercise of the 15,000,000 warrants. The shares were issued on December 29, 2017. (See Note 6 (C)).

Expected dividends	0%
Expected volatility	102.65%
Expected term	2 years
Risk free interest rate	1.38%
Expected forfeitures	0%

On February 9, 2018, the Company issued 3-year warrant to purchase 3,000,000 shares of common stock at an exercise price of $0.056 per share to a consultant for services rendered. The warrants had a fair value of $52,660, 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 August 9, 2019, and for a period of 2 years expiring on August 9, 2021. During the year ended December 31, 2018, the Company recorded 52,660 as an expense for warrants issued.

Expected dividends	0%
Expected volatility	96.95%
Expected term	3 years
Risk free interest rate	2.26%
Expected forfeitures	0%

On March 20, 2018, the Company issued 4-year warrant to purchase 600,000 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 $19,915, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on March 20, 2018. Warrants will be exercisable on March 20, 2019, and for a period of 3 years expiring on March 20, 2022. During the year ended December 31, 2018, the Company recorded $19,915 as an expense for warrants issued.

Expected dividends	0%
Expected volatility	97.56%
Expected term	4 years
Risk free interest rate	2.65%
Expected forfeitures	0%

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Balance, December 31, 2017	32,800,000		3.0
Granted	3,600,000	-	
Exercised	-	-	
Cancelled/Forfeited	-	-	
Balance, December 31, 2018	36,400,000		2.9
Intrinsic Value	$ 1,783,600		

For the year ended December 31, 2018, the following warrants were outstanding:

Exercise Price Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$ 0.001	**31,100,000**	**2.9**	**$ 1,523,900**
$ 0.056	**3,000,000**	**2.6**	**$ 147,000**
$ 0.04	**2,300,000**	**2.7**	**$ 112,700**

For the year ended December 31, 2017 the following warrants were outstanding:

Exercise Price Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$0.001	**30,500,000**	**2.5**	**$2,639,000**
$0.04	**2,300,000**	**3.1**	**$133,400**

(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 November 10, 2010, the Company entered into an employment agreement with its CEO, 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 was renewed with the same terms for another 5 years with an annual salary of $297,889 for the year ended December 31, 2016. On January 1, 2017 the agreement renewed with the same terms for another 5 years, but with an annual salary of $315,764 for the year ended December 31, 2017. On January 1, 2018 the agreement renewed again with the same terms for another 5 years, but with an annual salary of $334,708 for the year ended December 31, 2018. As of December 31, 2018 and December 31, 2017, the accrued salary balance is $2,109,454 and $1,707,804, respectively. (See Note 7).

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 of a registration statement covering shares issuable to Calm Seas (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.

As of December 31, 2018, 78,089,079 shares of class A common stock were issued pursuant to the Letter Agreement and the Letter Agreement was terminated passing the second anniversaryfrom the Effective Date.

On January 20, 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 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 (the “January 2015 Warrant”) 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 "May 20165 Warrant") to Mr. Rice. The 2,000,000 share warrant fully vested 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. 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 annual cash compensation of $140,000, which includes salary, health insurance, 401K retirement plan contributions, etc. In addition, Mr. Rice was 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 year ended December 31, 2017, the Company recorded $17,473 for the warrants issued to Mr. Rice in 2016. On January 9, 2018, the Company extended the expiration date of the January 2015 Warrant from January 19, 2018 to January 31, 2020 and on March 15, 2018, the Company signed an extension of its at-will employment agreement with its COO, extending the term to January 31, 2019. On March 25, 2019, the Company signed an extension of its at-will employment agreement with its COO, extending the term to January 1, 2020. As of December 31, 2018 the Company owes $24,433 to Mr. Rice for payroll payable.

(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. 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. On May 5, 2017 the Company signed an addendum to that agreement relating to tangible property and project intellectual property.

(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. On April 6, 2018, the Company issued 36,000 shares with a fair value of $1,076 ($0.0299/share) to a consultant as consideration for consulting fees owed from October 1, 2014 through December 31, 2018 of $21,000. The issuance of shares resulted in gain on settlement of accounts payable of $19,924. On April 1, 2018, the Company ended the consulting agreement and no additional compensation will be issued. (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 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. As of December 31, 2018 and December 31, 2017, the outstanding balance is $65,292. As of December 31, 2017, the Company recorded interest expense and related accrued interest payable of $2,623. In 2018 the Company recorded $1,960 in interest expensed and relted accrued interest payable. As of December 31, 2018 the Company recorded interest expense and related accrued interest payable of $4,583.

On June 6, 2012, the Company entered into a consulting agreement for intellectual property and collaborative research and development with The University of Notre Dame. On March 4, 2015, the Company entered into a new collaborative research agreements ("2015 Notre Dame Research Agreement") extending the duration of the agreement through March 2016; in February 2016 the agreement was extended to July 31, 2016. Under the agreement the Company will provide approximately $534,000 in financial support. 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 September 30, 2017. The Company did not extend the agreement after September 30, 2017. As of December 31, 2018 no new agreement has been signed.

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. On April 24, 2018, the Company announced that it had received its investment registration certificate for its new Vietnamese subsidiary Prodigy Textiles Co,. Ltd. On May 1, 2018, the Company announced that it had received its enterprise registration certificate for its new Vietnamese subsidiary Prodigy Textiles Co,. Ltd

(C) Consulting Agreement

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. On January 24, 2017, the Company agreed to continue the agreement and agreed to advance $10,000 for costs and expenses incurred.

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 5).

On June 26, 2017, the Company entered into an agreement with a consultant to provide investor relations services for nine months. 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 June 26, 2016, the company issued such warrant with a fair value of $848,011. On December 27, 2017, the Company issued of 14,651,162 shares in connection with the cashless exercise of the 15,000,000 warrants. The shares were issued on December 29, 2017. (See Note 5 (C)).

On February 9, 2018, the Company issued a 3-year warrant to purchase 3,000,000 shares of common stock at an exercise price of $0.056 per share to a consultant for services rendered. The warrants had a fair value of $52,660, 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 August 9, 2019, and for a period of 2 years expiring on August 9, 2021. During the year ended December 31, 2018, the Company recorded 52,660 as an expense for warrants issued (See Note 5 (C)).

On February 20, 2018, the Company signed an agreement with a consultant to provide services. Under this agreement the consultant will receive a warrant for 600,000 shares of common stock and may be awarded additional warrants for up to 3,000,000 shares of common stock if performance metrics are achieved. On March 20, 2018, the Company issued a 4-year warrant to purchase 600,000 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 $19,915, based upon the Black-Scholes option-pricing model on the date of grant and are fully vested on March 20, 2018. Warrants will be exercisable on March 20, 2019, and for a period of 3 years expiring on March 20, 2022. During the year ended December 31, 2018, the Company recorded $19,915 as an expense for warrants issued (See Note 5 (C)).

(D) Operating Lease Agreements

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. On February 1, 2016 the Company signed a six (6) month lease extension for its East Lansing office. In July 2016 the Company signed a twelve (12) month lease extension for its East Lansing office. The Company pays an annual rent of $5,187 for office space, conference facilities, mail, fax, and reception services. In July 2017 the Company signed a twelve (12) month lease extension for its East Lansing office. The Company pays an annual rent of $4,804.68 for office space, conference facilities, mail, fax, and reception services. In October 2017 the Company ended this lease.

Since 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 $2,508 for conference facilities, mail, fax, and reception services located at our principal place of business.

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. The company ended this lease on June 29, 2017.

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. In November 2017 the Company ended this lease.

Rent expense for the year ended December 31, 2018 and 2017 was $41,885 and $19,880, respectively.

On January 23, 2017 the Company signed an 8 year property lease with the Company's President for land in Texas where the Company grows its mulberry. The Company pays a monthly rent of $960. Rent expense – related party for the year ended December 31, 2018 and 2017, was $11,520 and $7,680, respectively (See Note 7).

On September 13, 2017, the Company signed a new two year lease commencing on October 1, 2017 and ending on September 30, 2019. The Company pays an annual rent of $39,200 for the year one of lease and $42,000 for the year two of lease for office and manufacturing space. For the year ended December 31, 2018 the Company paid $41,885. For the year ended December 31, 2017 the Company paid $9,800 for office and manufacturing space.

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 December 31, 2017 the outstanding balance is $65,292. Additionally, the accrued expenses are accruing 7% interest per year. As of December 31, 2018, the Company recorded interest expense and related accrued interest payable of $4,593.

On November 10, 2010, the Company entered into an employment agreement, with its CEO, effective January 1, 2011 through the December 31, 2015. Subsequently, on January 1, 2018 the agreement renewed with the same terms for another 5 years with an annual salary of $334,708 for the year ended December 31, 2018. As of December 31, 2018 and December 31, 2017, the accrued salary balance is $2,109,454 and $1,707,804, respectively.

On January 14, 2016 the Company signed a new employment agreement with Mr. Rice, the Company's 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 annual cash compensation of $140,000, which includes salary, health insurance, 401K retirement plan contributions, etc. In addition, Mr. Rice was 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 year ended December 31, 2017 the Company recorded $17,473 for the warrants issued to Mr. Rice in 2016. On January 9, 2018, the Company extended the expiration date of a warrant for 2,000,000 shares of common stock from January 19, 2018 to January 31, 2020 for an employee. Additionally, on March 15, 2018, the Company signed an extension of its at-will employment agreement with its COO.

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 year ended December 31, 2017, the Company recorded $17,473 as an expense for warrants issued to related party.

On June 6, 2016, the Company received $50,000 from a principal stockholder. Subsequently on December 1, 2017, the Company received an additional $30,000 from a principal stockholder. On January 8, 2018 and March 31, 2018 the Company received an additional $100,000 and $15,000, respectively. On April 26, 2018, the Company received $20,000 from a principal stockholder, $15,000 on June 21, 2018, $15,000 on June 29, 2018, $26,000 on October 1, 2018, $11,000 on October 12, 2018 and $20,000 on October 21, 2018. Pursuant to the terms of the loan, the advance bears an interest at 3%, is unsecured, and due on demand. Total loan payable to principal stockholder for as of December 31, 2018 is $322,000. Pursuant to the terms of the loans, the advances bear an interest at 3%, is unsecured and due on demand. During the year ended December 31, 2018 the Company recorded $11,909 as an in-kind contribution of interest related to the loan and recorded accrued interest payable of $7,071. During the year ended December 31, 2017, the Company recorded accrued interest payable of $1,621 and $2,623 as an in-kind contribution of interest related to the loan.

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 30, 2018.

On January 23, 2017 the Company signed an 8 year property lease with the Company's President 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. Rent expense – related party for the year ended December 31, 2018 was $7,680 and $4,800, respectively.

As of December 31, 2018 and December 31, 2017, there was $247,652 and $184,439, respectively, included in accounts payable and accrued expenses - related party, which is owed to the Company's Chief Executive Officer and Chief Operations Officer.

As of December 31, 2018 there was $940,158 of accrued interest- related party and $28,135 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, 2017 there was $732,147 of accrued interest- related party and $19,111 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, 2018, the Company owes $2,109,454 in accrued salary to principal stockholder, $24,433 to the Company's COO, and $7,640 to its office employees.

As of December 31, 2017, the Company owes $1,707,804 in accrued salary to principal stockholder, $23,354 to the Company's COO, and $3,554 to its office employees.

The Company owes $65,292 in royalty payable to related party as of December 31, 2018 and December 31, 2017.

NOTE 8 SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to December 31, 2018 through the date these financial statements were issued, and has determined that, other than disclosed below, it does not have any material subsequent events to disclose.

On March 9, 2019, the Company entered into a purchase agreement with one investor (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Company issued the investor 14,797,278 Units at a purchase price of $0.06758 per Unit, for total gross proceeds to the Company of $1,000,000. The Units consist of 14,797,278 shares of the Company's Class A Common Stock (the "Common Stock") and two warrants (the "Warrants"): (i) one warrant entitles the investor to purchase up to 14,797,278 shares of Common Stock at an exercise price of $0.06 per share (the "6 Cent Warrants") and (ii) one warrant entitles the investor to purchase up to 7,398,639 shares of Common Stock at an exercise price of $0.08 per share (the "8 Cent Warrant"). The Warrants shall be exercisable at any time from the issuance date until the following expiration dates:

- ½ of all $0.06 Warrants shares shall expire on March 8, 2021;
- ½ of all $0.06 Warrants shall expire on March 8, 2022;
- ½ of all $0.08 Warrants shall expire on March 8, 2022; and,
- ½ of all $0.08 Warrants shall expire on March 8, 2023.

The securities sold in the private placement were issued in reliance on an exemption from registration under Regulation S of the Securities Act of 1933, as amended ("Regulation S"). The bases for the availability of this exemption include the facts that the sales of the securities were made to a non-U.S. person (as defined under Rule 902 section (k)(2)(i) of Regulation S), pursuant to an offshore transaction, and no directed selling efforts were made in the United States by the issuer, a distributor, any of their respective affiliates, or any person acting on behalf of any of the foregoing.

On March 20, 2019, the Company issued 4,052,652 shares of its class A common stock as payment for $243,159 of certain debt owed to the University of Notre Dame.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based upon that evaluation, the Company’s CEO and CFO concluded that the Company ’s disclosure controls and procedures are not effective as of the end of the period covered by this Report, to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting.

Our Chief Executive Officer, as the principal executive officer (chief executive officer) and principal financial officer (chief financial officer), is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) or 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018. The framework used by management in making that assessment was the criteria set forth in the document entitled “ Internal Control – Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, our management has determined that as of December 31, 2018, the Company’s internal control over financial reporting was not effective for the purposes for which it is intended based on the following material weaknesses:

– *Lack of internal audit function*. During 2018, the Company, upon review of the independent auditors, made some adjustments to its financial statements, including, adjusting salary amounts and the related tax accruals, correcting warrant expense for a warrant issued to a related party, and adding the liability due to our attorney that should have been recorded. Management believes that the foregoing is due to the fact that the Company lacks qualified resources to perform the internal audit functions properly and that the scope and effectiveness of the internal audit function are yet to be developed. Specifically, the reporting mechanism between the accounting department and the Board of Directors and the CEO was not effective, therefore resulting in the delay of recording and reporting.

– *No Segregation of Duties Ineffective controls over financial reporting*: As of December 31, 2018, we had no full-time employees with the requisite expertise in the key functional areas of finance and accounting. As a result, there is a lack of proper segregation of duties necessary to insure that all transactions are accounted for accurately and in a timely manner.

– *Lack of a functioning audit committee*: Due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, and no audit committee has been elected, the oversight in the establishment and monitoring of required internal controls and procedures is inadequate.

– *Written Policies & Procedures*: Due to lack of written policies and procedures for accounting and financial reporting, the Company did not establish a formal process to close our books monthly and account for all transactions.

– *Lack of controls over related party transactions:* As of December 31, 2018, the Company did not establish a formal written policy for the approval, identification and authorization of related party transactions.

We are developing a plan to ensure that all information will be recorded, processed, summarized and reported accurately, and as of the date of this report, we have hired a payroll service firm to manage all payroll functions including tax withholdings. We will take the following steps to address the above-referenced material weaknesses in our internal control over financial reporting:

1. We will continue to educate our management personnel to increase its ability to comply with the disclosure requirements and financial reporting controls; and

2. We will increase management oversight of accounting and reporting functions in the future; and

3. As soon as we can raise sufficient capital or our operations generate sufficient cash flow, we will hire personnel to handle our accounting and reporting functions.

While the first two steps of our remediation process are ongoing, we do not expect to remediate the weaknesses in our internal controls over financial reporting until the time when we start to commercialize a recombinant fiber (and, therefore, may have sufficient cash flow for hiring personnel to handle our accounting and reporting functions).

This annual report does not include an attestation report of the Company 's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm because as a smaller reporting company we are not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002.

Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the fourth quarter of the fiscal year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Our executive officers and sole director as of the date of this report are as follows:

NAME	AGE	POSITION	DATE APPOINTED
Kim Thompson	57	President, Chief Executive Officer, Chief Financial Officer and Director	April 25, 2006
Jonathan R. Rice	39	Chief Operating Officer	January 20, 2015

The following summarizes the occupation and business experience during the past five years for our officers and sole director.

KIM THOMPSON

Mr. Thompson was a founder of the California law firm of Ching & Thompson which was founded in 1997 where he focused primarily on commercial litigation. He has been a partner in the Illinois law firm of McJessy, Ching & Thompson since 2004 where he also emphasizes commercial and civil rights litigation. Mr. Thompson received his bachelor's degree in applied economics from James Madison College, Michigan State University, and his Juris Doctorate from the University of Michigan. He is the named inventor or co-inventor on a number of provisional patent applications including inventions relating to biotechnology and mechanics. Mr. Thompson is the inventor of the technology concept that lead to the forming of the Company. We believe that Mr. Thompson is well suited to serve as our director because of his knowledge of biotechnology, legal expertise and background in economics.

JONANTHAN R. RICE

Jonathan R. Rice had worked at Ultra Electronics, Adaptive Materials Inc., a Michigan company ("UEA") since 2002. At UEA, he worked as the Director of Advanced Technologies, where he was responsible for new products development and commercialization. He was also the Corporate Facility Security Officer for UEA since 2006, where Mr. Rice ensured UEA's compliance with federal regulations under the National Industrial Security Program Operating Manual and completed its annual security audit. During 2004 through 2007 while working as an Engineering Manager at UEA, Mr. Rice, among other things, led the design and development of multiple fuel cell and power management systems, established a team to identify and eliminate production and performance limitation, authored technical progress and final reports for customers and provided training to military personnel on use of fuel cell systems. From 2002 through 2005, Mr. Rice had also served as UEA's Production Manager in charge of developing manufacturing process and techniques and sourcing the production equipment for UEA's products. Mr. Rice graduated from Michigan Technological University in 2002 with a degree of Bachelors of Science Chemical Engineering. Mr. Rice received his Masters of Business Administration at Michigan State University in 2016.

Term of Office

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

Our sole director was appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, none of the following events occurred during the past ten years that are material to an evaluation of the ability or integrity of any of our executive officers, directors or promoters:

(1) A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2) Convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

(i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) Engaging in any type of business practice; or

(iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

(4) Subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described y such activity;

(5) Found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

(6) Found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

(7) Subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

(i) Any Federal or State securities or commodities law or regulation; or

(ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) Subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S. C 78c(a)(26)), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Committees

Our board of directors has not established any committees, including an audit committee, a compensation committee, a nominating committee or any committee performing a similar function. The functions of those committees are being undertaken by our sole Board member. Because we have only one director and do not have any independent directors, the establishment of committees of the Board of Directors would not provide any benefits to our company and could be considered more form than substance. In addition, we do not have an "audit committee financial expert, " because our sole director does not qualify as such within the applicable definition of the Securities and Exchange Commission.

Meetings of the Board of Directors

During its fiscal year ended December 31, 2018, the Board of Directors did not meet on any occasion, but rather transacted business by unanimous written consent.

Code of Ethics

The Company has adopted a Code of Ethics applicable to its Chief Executive Officer and Chief Financial Officer. This Code of Ethics was previously filed as an exhibit to our annual report on Form 10-KSB on March 26, 2008 and has been included in this annual report as Exhibit 14.1.

Corporate Governance

The business and affairs of the Company are managed under our sole board member. In addition to the contact information in this annual report, each stockholder will be given specific information on how he/she can direct communications to the officers and directors of the Company at our annual stockholders meetings. All communications from stockholders are relayed to the board of member.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Our common stock is not registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, our officers, directors, and principal stockholders are not subject to the beneficial ownership reporting requirements of Section 16(a) of the Exchange Act.

Family Relationships

There are no family relationships by between or among the members of the Board or other executive officers of the Company.

ITEM 11. EXECUTIVE COMPENSATION

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officer during the years ended December 31, 2018 and 2017 in all capacities for the accounts of our executive, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Kim Thompson President, CEO, CFO and Director	2018	$ 334,708	$ 66,942	$ 0	$ 0	$ 0	$ 0	$ 55,934(1)	$ 457,584
	2017	$ 315,764	$ 0	$ 0	$ 0	$ 0	$ 0	$ 47,140(2)	$ 362,902
Jonathan R. Rice COO	2018	$ 126,477	$ 20,000(3)	$ 0	$ 0	$ 0	$ 0	$ 15,808(4)	$ 162,285
	2017	$ 124,834	$ 4,000	$ 0	$ 17,473	$ 0	$ 0	$ 16,970(5)	$ 163,277

(1) In 2018, Kim Thompson received $48,565 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us. In 2018, Kim Thompson received $7,161 in reimbursement for office and travel related expenses.

(2) In 2017, Kim Thompson received $31,997 in medical insurance and medical reimbursement pursuant to an employment agreement entered into with us. In 2017, Kim Thompson received $15,143 in reimbursement for office and travel related expenses.

(3) In 2018, Jonathan Rice was owed a $20,000 bonus payable in March 2018, that bonus has not been paid.

(4) In 2018, Jonathan Rice received $14,285 in medical insurance and medical reimbursement, $1,523 in phone service expenses and travel related, pursuant to an employment agreement entered into with us. Mr Rice was owed a $20,000 bonus payable in March 2018, that bonus has not been paid.

(5) In 2017, Jonathan Rice received $15,930 in medical insurance and medical reimbursement, $1,040 in phone service expenses, pursuant to an employment agreement entered into with us.

Employment Agreements

CEO

On November 10, 2010, the Company entered into a five-year employment agreement with the Company 's Chairman, Chief Executive Officer and Chief Financial Officer, effective as of January 1, 2011. The agreement renews annually so that at all times, the term of the agreement was five years. On January 1, 2017 this agreement renewed. Pursuant to this agreement, the Company will pay an annual base salary of $210,000 for the period January 1, 2011 through December 31, 2011. Base pay will be increased each January 1st, for the subsequent twelve month periods by six percent. The officer will also be entitled to life, disability, health and dental insurance as well as an annual bonus in an amount equal to 20% of the base salary. The agreement also calls for the retention of the executive as a consultant following the termination of employment with compensation during such consultancy based upon the Company reaching certain milestones:

a. Upon the expiration or termination of this agreement for any reason, or by either party, Company agrees that it will employ Executive as a consultant for a period of four (4) years and at a rate of $4,500 per month.

b. In the event that Company achieves gross sales of five million dollars ($5,000,000) or more, or one million dollars ($1,000,000) or more in net income, in any year during the term of this agreement, or upon the Company's achieving an average market capitalization over a 240 consecutive calendar day period, in excess of $70,000,000 during the term of this agreement, then the consulting period will be for five (5) years and the consulting rate will be increased to $5,500 per month.

c. In the event that Company achieves gross sales of ten million dollars ($10,000,000) or more, or two million dollars ($2,000,000) or more in net income, in any year during the term of this agreement, or upon the Company's achieving an average market capitalization over a 240 consecutive calendar day period, in excess of $90,000,000 during the term of this agreement, then the consulting period will be for six (6) years and the consulting rate will be increased to $7,500 per month.

The November 10, 2010 employment agreement replaced the prior agreement dated April 26, 2006 and Mr. Thompson waved all warrants and milestone based compensation to which he would have been entitled under the April 26, 2006 agreement.

COO

On January 20, 2015, the Company entered into an at-will employment agreement with Mr. Jonathan R. Rice, its Chief Operating Officer (the "COO Employment Agreement"). The COO Employment Agreement has a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the COO 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, on January 23, 2015, 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 COO Employment Agreement and 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 3,000,000 share warrant fully vested on October 28, 2016. For the twelve months ended December 31, 2015, the Company recorded $121,448 for the warrants issued to related party.

On January 1, 2016, the Company entered into a new at-will employment agreement with Mr. Rice (the "2016 COO Employment Agreement"). The 2016 COO Employment Agreement had a term of one year and can be terminated by either the Company or Mr. Rice at any time. Under the 2016 COO 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, on March 30, 2016, Mr. Rice was 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 2016 COO Employment Agreement. Additionally, on August 4, 2016, the Company issued a performance retention bonus to Mr. Rice of $20,000 which was payable on March 31, 2018. For the twelve months ended December 31, 2016 the Company recorded $125,053 for the warrants issued to related party.

The Company extended the 2016 COO Employment Agreement to a term ending on January 31, 2019. On March 25, 2019, the Company signed an extension of its at-will employment agreement with its COO, extending the term to January 1, 2020. The COO Employment Agreement can be terminated by either the Company or Mr. Rice at any time. For the twelve months ended December 31, 2018, the Company recorded $0 for the warrants issued to related party.

On January 9, 2018, the Company extended the expiration date of the January 2015 Warrant from January 19, 2018 to January 31, 2020.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. No amounts have been paid to, or accrued to, directors in such capacity.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides the names and addresses of each person known to us to own more than 5% of our outstanding shares of common stock as of the date of this report and by the officers and directors, individually and as a group. Except as otherwise indicated, all shares are owned directly.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial		Percent of Class (1)
Class A Common Stock	Kim Thompson	225,700,067	(2)	27.01%
	2723 South State St Suite 150			
	Ann Arbor, MI 48104			
Class A Common Stock	Jonathan R. Rice	11,000,000	(3)	1.32%
	2723 South State St Suite 150			
	Ann Arbor, MI 48104			
Class A Common Stock	All executive officers and directors as a group (2 Person)	236,700,067		28.33%
Series A Preferred Stock	Kim Thompson	2		100%
	2723 South State St Suite 150			
	Ann Arbor, MI 48104			
Series A Preferred Stock	All executive officers and directors as a group (1 Person)	2		100%

(1) The percent of class is based on 835,733,840 shares of our Class A common stock issued and outstanding as of the date of this report.
(2) Such shares include 225,700,065 shares of common stock that are owned by Mr. Thompson and 2 shares of common stock that may be issued upon conversion of the Series A Preferred Stock that are owned by Mr. Thompson.
(3) These shares represent shares of common stock that may be issued upon exercise of warrants Mr. Rice owns.

Securities authorized for issuance under equity compensation plans

None.

Change in Control

As of the date of this report, there were no arrangements which may result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTION, AND DIRECTOR INDEPENDENCE

Except as disclosed herein, no director, executive officer, shareholder holding at least 5% of shares of our common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction since January 1, 2018, in which the amount involved in the transaction exceeds the lesser of $120,000 or one percent of the average of our total assets at the year-end for the last two completed fiscal years.

Related Party Transactions

On December 19, 2013, the Company issued to the CEO two shares of Series A Preferred Stock, with each share entitles the CEO to 200,000,000 votes on all matters. Each share of Series A Preferred Stock is convertible into one share of common stock and has the same right to normal dividends as a common share but has no other right to distributions. Such shares of Series A Preferred Stock was issued to the CEO in consideration for the CEO's agreement to extend the Company's repayment of the debts owed to him to October 30, 2014 and to forgive $30,000 compensation that the Company owed to him. On March 25, 2015, with agreement of the CEO not to request repayment before July 1, 2015, the Company extended the repayment period to begin no sooner than July 31, 2016. No changes have been made to this agreement since July 1, 2015 and the Company has not repaid this debt.

On January 23, 2017, the Company signed an 8 year property lease with the Company 's President 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.

As of December 31, 2018 and December 31, 2017, the Company owed $2,109,454 and $1,707,804, respectively, in accrued salary and accrued payroll taxes to an executive officer. As of December 31, 2018, no accrued salary has been converted to Class A Common Stock.

As of December 31, 2018 and December 31, 2017, there was $247,652 and $184,439, respectively, included in accounts payable and accrued expenses - related party, which was owed to the Company's Chief Executive Officer and Chief Operations Officer.

As of December 31, 2017, there was $732,147 of accrued interest- related party and $19,111 in shareholder loan interest –related party included in accounts payable and accrued expenses – related party, which was owed to the Company 's Chief Executive officer.

As of December 31, 2018, there was $940,158 of accrued interest- related party and $28,135 in shareholder loan interest –related party included in accounts payable and accrued expenses – related party, which was owed to the Company 's Chief Executive officer.

The Company owes $65,292 in royalty payable to related party for the year ended December 31, 2018 and December 31, 2017.

On June 6, 2016, the Company received $50,000 from a principal stockholder. Subsequently on December 1, 2017, the Company received an additional $30,000 from a principal stockholder. On January 8, 2018 and March 31, 2018 the Company received an additional $100,000 and $15,000, respectively. On April 26, 2018, the Company received $20,000 from a principal stockholder, $15,000 on June 21, 2018, $15,000 on June 29, 2018, $26,000 on October 1, 2018, $11,000 on October 12, 2018 and $20,000 on October 21, 2018. Pursuant to the terms of the loan, the advance bears an interest at 3%, is unsecured, and due on demand. Total loan payable to principal stockholder for as of December 31, 2018 is $322,000. During the year ended December 31, 2018 the Company recorded $11,909 as an in-kind contribution of interest related to the loan and recorded accrued interest payable of $7,071. During the year ended December 31, 2017, the Company recorded accrued interest payable of $1,621 and $2,623 as an in-kind contribution of interest related to the loan.

The Company is currently not a subsidiary of any company.

Director Independence

We are not subject to listing requirements of any national securities exchange and, as a result, we are not at this time required to have our board comprised of a majority of "independent Directors." Mr. Kim Thompson, our Chief Executive Officer, Chief Financial Officer and President, is our sole director. Mr. Thompson does not qualify as independent directors under Rule 10A-3 of the Securities Exchange Act of 1934 and as defined under the rules and regulations of NASDAQ.

ITEM 14.PRINCIPAL ACCOUNTANT FEES AND SERVICES

		2018		2017
Audit Fees	$	15,450	$	17,900
Audit-Related Fees	$	-		-
Tax Fees	$	13,385	$	27,352
All Other Fees	$	-		-
Total	$	28,835	$	45,252

Audit Fees

For the Company's fiscal years ended December 31, 2018 and 2017, we were billed approximately $15,450 and $17,900 for professional services rendered for the audit and review of our financial statements.

Audit Related Fees

There were no fees for audit related services for the years ended December 31, 2018 and 2017.

Tax Fees

For the Company's fiscal year ended December 31, 2018, we were billed approximately $13,385 for professional services rendered for tax compliance, tax advice, and tax planning. For the Company's fiscal year ended December 31, 2017, we were billed approximately $27,532 for professional services rendered for tax compliance, tax advice, and tax planning.

All Other Fees

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal years ended December 31, 2018 and 2017.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before our auditor is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or

- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee's responsibilities to management.

We do not have an audit committee. Our entire board of directors pre-approves all services provided by our independent auditors.

The pre-approval process has just been implemented in response to the new rules. Therefore, our board of directors does not have records of what percentages of the above fees were pre-approved. However, all of the above services and fees were reviewed and approved by the entire board of directors either before or after the respective services were rendered.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)

1. The financial statements listed in the "Index to Financial Statements" at page F-1 are filed as part of this report. The financial statements listed in the "Index to Financial Statements" at page F-1 are filed as part of this report.
2. Financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.
3. Exhibits included or incorporated herein: see index to Exhibits.

(b) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation (1)
3.2	Articles of Amendment (3)
3.3	Articles of Amendment, filed with the Wyoming Secretary of State on November 15, 2013 (6)
3.4	Articles of Amendment, filed with the Wyoming Secretary of State on December 17, 2013 (7)
3.5	By-Laws (1)
4.1	Form of Warrant issued Mr. Jonathan R. Rice
10.1	Employment Agreement, dated November 10, 2010, by and between Kraig Biocraft Laboratories, Inc. and Kim Thompson (8)
10.2	Securities Purchase Agreement between Kraig Biocraft Laboratories and Worth Equity Fund, L.P. and Mutual Release (1)
10.3	Securities Purchase Agreement between Kraig Biocraft Laboratories and Lion Equity (1)
10.4	Amended Letter Agreement, dated September 14, 2009, by and between Kraig Biocraft Laboratories and Calm Seas Capital, LLC (3)
10.5	Exclusive License Agreement, effective as of May 8, 2006, by and between The University of Wyoming and Kraig Biocraft Laboratories, Inc. (2)
10.6	Addendum to the Founder's Stock Purchase and Intellectual Property Transfer Agreement, dated December 26, 2006, and the Founder's Stock Purchase and Intellectual Property Transfer Agreement dated April 26, 2006 (3)
10.7	Intellectual Property/Collaborative Research Agreement, dated March 20, 2010, by and between Kraig Biocraft Laboratories and The University of Notre Dame du Lac. (2)
10.8	Letter Agreement, dated June 28, 2011, by and between Kraig Biocraft Laboratories and Calm Seas Capital, LLC (4)

10.9	Letter Agreement, dated April 30, 2013, by and between Kraig Biocraft Laboratories and Calm Seas Capital, LLC (5)
10.1	Letter Agreement, dated October 2, 2014, by and between Kraig Biocraft Laboratories and Calm Seas Capital, LLC (10)
10.11	License Agreement, dated October 28, 2011, between the Company and University of Notre Dame du Lac. (12)
10.12	Intellectual Property / Collaborative Research Agreement, dated June 6, 2012, between the Company and University of Notre Dame du Lac. (12)
10.13	Collaborative Yarn and Textile Development Agreement, dated September 30, 2013, between the Company and Warwick Mills, Inc. (12)
10.14	Employment Agreement, dated January 19, 2015, between the Company and Mr. Jonathan R. Rice (11)
10.15	Intellectual Property and Collaborative Research Agreements, dated March 4, 2015, between the Company and University of Notre Dame du Lac.
14.1	Code of Business Conduct and Ethics (13)
21.1	Subsidiaries*
31.1	Certification of Chief Executive Officer/Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Chief Executive Officer/Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *
101	Interactive data files #

(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 annual report on Form 10-K for the year ended December 31, 2009 filed with the SEC on April 15, 2010.
(3) Incorporated by reference to our Registration Statement on Form S-1 (Reg. No. 333-162316) filed with the SEC on October 2, 2009.
(4) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on June 29, 2011.
(5) Incorporated by reference to our Quarterly Report on Form 10-Q filed with the SEC on May 15, 2013.
(6) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on November 22, 2013.
(7) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 19, 2013.
(8) Incorporated by reference to our Registration Statement on Form S-1 (Reg. No. 333-175936) filed with the SEC on August 1, 2011.
(9) Incorporated by reference to our Registration Statement on Form S-1 (Reg. No. 333-199820) filed with the SEC on November 3, 2014.
(10) Incorporated by reference to our Amendment No. 1 to Registration Statement on Form S-1/A (Reg. No. 333-199820) filed with the SEC on January 7, 2015.
(11) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 21, 2015.
(12) Incorporated by reference to our Amendment No. 2 to Registration Statement on Form S-1/A (Reg. No. 333-199820) filed with the SEC on January 30, 2015.
(13) Incorporated by reference to Exhibit 14.1 to our Annual Report on Form 10-KSB for the year ended December 31, 2007 filed with the SEC on March 26, 2008.

* Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kraig Biocraft Laboratories, Inc.

Dated: March 29, 2019

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

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

Signature	Title	Date
/s/ Kim Thompson Kim Thompson	President, Chief Executive Officer, Chief Financial Officer and Sole Director	March 29, 2019

SUPPLEMENTAL INFORMATIONTO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

No annual report or proxy material has been sent to our stockholders. An annual report and proxy material may be sent to our stockholders subsequent to the filing of this Form 10-K. We shall furnish to the SEC copies of any annual report or proxy material that is sent to our stockholders.

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kim Thompson, certify that:

(1) I have reviewed this Form 10-K of Kraig Biocraft Laboratories, Inc.;

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

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

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the 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 annual 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 officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 registrant's 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 registrant's internal control over financial reporting.

Date: March 29, 2019

By: /s/ Kim Thompson

Kim Thompson
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kim Thompson, certify that:

(1) I have reviewed this Form 10-K of Kraig Biocraft Laboratories, Inc.;

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

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

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the 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 annual 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 officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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 registrant's 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 registrant's internal control over financial reporting.

Date: March 29, 2019

By: /s/ Kim Thompson

Kim Thompson
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kim Thompson, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Annual report on Form 10-K of Kraig Biocraft Laboratories for the fiscal year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Kraig Biocraft Laboratories.

Date: March 29, 2019

/s/ Kim Thompson

Chief Executive Officer
(Principal Executive Officer)

Date: March 29, 2019

/s/ Kim Thompson

Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of a separate disclosure document.